The Fiscal Year 2022 Budget:

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

Legislative Finance Division

www.legfin.akleg.gov

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.

LEGISLATIVE FINANCE DIVISION
FISCAL ANALYST/BUDGET ASSIGNMENTS

Fiscal Analyst	Agency/Assignment	Phone
Alexei Painter, Director	Governor, Legislature	465-5413
Conor Bell	Natural Resources, Revenue, Statewide Debt/Revenue/Tax Credits, Fiscal Modeling, Fiscal Summaries, Indirect Expenditure Report	465-3002
Kelly Cunningham	Health & Social Services, Operating Budget Coordinator, Mental Health Budget	465-3821
Morgan Foss	Corrections, Fish & Game, Law, Public Safety, Fund Tracking, Retirement	465-5410
Sabrina Javier	Administration, Commerce, Labor & Workforce Development, Fiscal Note Coordinator, Budget History	465-5411
Kelly O’Sullivan	Education, Judiciary, University of Alaska, Fiscal Summaries, Fund Capitalization/Transfers/Specials	465-5434
Michael Partlow	Environmental Conservation, Military & Veterans’ Affairs, Transportation, Statewide Debt, Capital and Supplemental Budget Coordinator, CARES Act	465-5435

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Short Fiscal Summary - FY21/FY22 Budget

#	($ Millions) (Non-duplicated Funds)	FY21 UGF	FY21 All Funds	FY22 UGF	FY22 All Funds	Change in UGF	Change in UGF %	Change in All Funds	Change in All Funds %
1	**Revenue**	**4,443.2**	**10,883.0**	**4,271.9**	**10,286.1**	**(171.3)**	**-4%**	**(596.9)**	**-5%**
2	UGF Revenue (Spring 2020 Forecast)	1,243.1	1,311.0	1,202.6	1,244.0	(40.5)	-3%	(67.0)	-5%
3	POMV Draw	3,091.5	3,091.5	3,069.3	3,069.3	(22.2)	-1%	(22.2)	-1%
4	Misc/Adjust/Non-UGF Revenue	108.6	6,480.5	-	5,972.8	(108.6)		(507.7)	-8%
5	**Appropriations**	**6,520.8**	**12,953.7**	**6,313.8**	**12,324.8**	**(207.0)**	**-3%**	**(628.9)**	**-5%**
6	**Operating Budget**	**4,490.0**	**9,708.4**	**4,231.3**	**8,826.2**	**(258.6)**	**-6%**	**(882.2)**	**-9%**
7	Agency Operations	4,008.9	8,349.9	3,810.5	8,073.5	(198.4)	-5%	(276.5)	-3%
8	Statewide Items **(1)**	446.3	1,339.8	420.8	752.7	(25.5)	-6%	(587.0)	-44%
9	Supplemental Appropriations	34.8	18.7	-	-	(34.8)		(18.7)	
10	**Capital Budget**	**125.3**	**1,271.9**	**58.5**	**1,433.2**	**(66.8)**	**-53%**	**161.4**	**13%**
11	Current Year Appropriations	120.3	1,201.9	58.5	1,433.2	(61.8)	-51%	231.3	19%
12	Supplemental Appropriations	5.0	69.9	-	-	(5.0)		(69.9)	
13	**Permanent Fund**	**1,905.5**	**1,973.4**	**2,023.9**	**2,065.3**	**118.4**	**6%**	**91.9**	**5%**
14	Permanent Fund Dividends	1,905.5	1,905.5	2,023.9	2,023.9	118.4	6%	118.4	6%
15	Inflation Proofing/Other Deposits	-	67.9	-	41.4				
16	**Pre-Transfer Surplus/(Deficit)**	**(2,077.7)**		**(2,041.9)**					
17	Permanent Fund Earnings Reserve Account	(1,225.5)		(2,023.9)					
	Other Fund Transfers	40.9		19.9					
18	**Post-Transfer Surplus/(Deficit)**	**(893.1)**		**(37.9)**					
19	CBR Direct Appropriations	(1,064.2)		-					
20	Draw After Direct CBR Appropriations	171.1		(37.9)					
21	**Total CBR Draw**	**(893.1)**		**(37.9)**					

Reserve Balances (EOY)	FY21	FY22
CBR	930.9	918.6
ERA	12,052.8	10,955.6

(1) FY22 includes Governor's proposed retirement system (PERS) legislation

State of Alaska Detailed Fiscal Summary--FY21 and FY22

($ millions)

#		FY21 Management Plan + Governor's Supplementals					FY22 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	$	%
1	**REVENUE**	**4,443.2**	**1,069.8**	**739.6**	**4,630.4**	**10,883.0**	**4,271.9**	**990.7**	**948.6**	**4,074.8**	**10,286.1**	**(171.3)**	**-3.9%**
2	Unrestricted General Fund Revenue (Fall 20 Forecast) **(1)**	**1,243.1**	67.9	-	-	**1,311.0**	**1,202.6**	41.4	-	-	**1,244.0**		
4	POMV Payout from ERA	3,091.5	-	-	-	3,091.5	3,069.3	-	-	-	3,069.3		
5	Carryforward, Repeals, and Reappropriations **(2)**	108.6	69.5	8.5	193.5	380.1	-	-	-	-	-		
6	Restricted Revenue **(3)**	-	932.4	731.1	4,436.9	6,100.4	-	949.3	948.6	4,074.8	5,972.8		
	APPROPRIATIONS												
7	**TOTAL OPERATING APPROPRIATIONS**	**4,490.0**	**946.4**	**698.0**	**3,573.9**	**9,708.4**	**4,231.3**	**876.1**	**802.6**	**2,916.2**	**8,826.2**	**(258.6)**	**-5.8%**
8	**Agency Operations**	**4,013.7**	**815.6**	**620.7**	**2,909.9**	**8,359.9**	**3,810.5**	**785.4**	**606.0**	**2,871.5**	**8,073.5**	**(203.1)**	**-5.1%**
9	**Current Fiscal Year Appropriations**	**4,008.9**	**810.4**	**620.7**	**2,909.9**	**8,349.9**	**3,810.5**	**785.4**	**606.0**	**2,871.5**	**8,073.5**	**(198.4)**	**-4.9%**
10	Agency Operations (Non-Formula) **(9)**	1,946.4	761.8	574.9	988.2	4,271.3	1,810.0	734.3	558.8	999.9	4,103.1	(136.4)	-7.0%
11	K-12 Foundation and Pupil Transportation (Formula)	1,260.5	-	30.3	20.8	1,311.6	1,233.7	-	31.7	20.8	1,286.3	(26.8)	-2.1%
12	Medicaid Services (Formula)	645.1	0.9	15.5	1,750.6	2,412.1	610.0	0.9	15.5	1,750.5	2,376.9	(35.1)	-5.4%
13	Other Formula Programs	157.0	47.7	-	97.8	302.5	156.8	50.2	-	100.2	307.2	(0.2)	-0.1%
14	Revised Programs Legislatively Approved (RPLs)	-	-	-	52.5	52.5	-	-	-	-	-	-	
15	*Duplicated Authorization (non-additive)* ***(4)***	-	-	*890.9*	-	*890.9*	-	-	*852.6*	-	*852.6*	-	
16	**Supplemental Appropriations (Agency Operations)**	**4.8**	**5.2**	**-**	**-**	**9.9**	**-**	**-**	**-**	**-**	**-**	(4.8)	
17	Supplemental Appropriations	4.8	5.2		-	9.9	-	-	-	-	-		
18	**Statewide Items**	**476.3**	**130.8**	**77.4**	**664.0**	**1,348.5**	**420.8**	**90.7**	**196.6**	**44.7**	**752.7**	**(55.5)**	**-11.7%**
19	**Current Fiscal Year Appropriations**	**446.3**	**130.8**	**98.6**	**664.0**	**1,339.8**	**420.8**	**90.7**	**196.6**	**44.7**	**752.7**	**(25.5)**	**-5.7%**
20	Debt Service	100.7	0.0	39.3	5.2	145.3	105.0	29.3	39.5	5.3	179.1	4.3	4.2%
21	Fund Capitalizations	**-**	**40.7**	**26.4**	**26.9**	**94.0**	**17.1**	**27.5**	**110.3**	**25.7**	**180.7**	17.1	
22	*Community Assistance*	-	-	-	-	-	-	*12.4*	-	-	*12.4*	-	
23	*REAA School Fund*	-	-	-	-	-	*17.1*	-	-	-	*17.1*	*17.1*	
24	*Other Fund Capitalization*	-	*40.7*	*26.4*	*26.9*	*94.0*	-	*15.1*	*110.3*	*25.7*	*151.2*	-	
25	State Payments to Retirement Systems **(9)**	345.6	-	-	-	345.6	342.0	-	-	-	342.0	(3.6)	-1.0%
26	Retirement System (PERS) Proposed Legislation **(5)**						(43.3)	4.6	24.9	13.8	(0.0)		
27	Shared Taxes	-	36.6	32.9	-	69.5	-	29.2	21.8	-	51.0	-	
28	Alaska Comprehensive Insurance Program	-	53.5	-	78.8	132.3	-	-	-	-	-	-	
29	Revised Programs Legislatively Approved (RPLs)				553.1	553.1							
30	*Duplicated Authorization (non-additive)* ***(4)***	-	-	*716.7*	-	*716.7*	-	-	*9.4*	-	*9.4*	-	
31	**Supplemental Appropriations (Statewide Items)**	**30.0**	**-**	**(21.3)**	**-**	**8.7**	**-**	**-**	**-**	**-**	**-**		
32	*Supplemental Appropriations*	30.0	-	(21.3)	-	8.7	-	-	-	-	-		
33	**TOTAL CAPITAL APPROPRIATIONS**	**125.3**	**48.7**	**41.3**	**1,056.5**	**1,271.9**	**58.5**	**70.3**	**145.7**	**1,158.6**	**1,433.2**	**(66.8)**	**-53.3%**
34	**Current Fiscal Year Appropriations**	**120.3**	**25.2**	**37.7**	**1,018.7**	**1,201.9**	**58.5**	**70.3**	**145.7**	**1,158.6**	**1,433.2**	**(61.8)**	**-51.3%**
35	Project Appropriations	120.3	25.2	37.4	983.3	1,166.2	58.5	70.3	145.7	1,158.6	1,433.2	(61.8)	
36	Revised Programs Legislatively Approved (RPLs)	-	-	0.3	35.4	35.7	-	-	-	-	-	-	
37	*Duplicated Authorization (non-additive)* ***(4)***	-	-	*17.7*	-	*17.7*	-	-	*30.5*	-	*30.5*	-	
38	**Supplemental Appropriations (Capital)**	**5.0**	**23.5**	**3.6**	**37.8**	**69.9**	**-**	**-**	**-**	**-**	**-**	(5.0)	
39	Capital Projects	5.0	23.5	3.6	37.8	69.9	-	-	-	-	-	(5.0)	-100.0%
40	*Duplicated Authorization (non-additive)* ***(4)***	-	-	*25.5*	-	*25.5*	-	-	-	-	-		
41	*Money on the Street (includes all fund sources)* ***(6)***	*125.3*	*48.7*	*84.5*	*1,056.5*	*1,315.1*	*58.5*	*70.3*	*176.3*	*1,158.6*	*1,463.8*		
42	**Pre-Permanent Fund Authorization** (unduplicated)	**4,615.3**	**995.2**	**739.4**	**4,630.4**	**10,980.3**	**4,289.9**	**946.4**	**948.3**	**4,074.8**	**10,259.5**	**(325.4)**	**-7.1%**
43	***Revenue less operating and capital appropriations***	*(172.2)*					*(18.0)*						
44	**Permanent Fund Appropriations**	**1,905.5**	**67.9**	**-**	**-**	**1,973.4**	**2,023.9**	**41.4**	**-**	**-**	**2,065.3**	**118.4**	**6.2%**
45	Permanent Fund Dividends **(9)**	680.0	-	-	-	680.0	2,023.9	-	-	-	2,023.9	1,343.9	197.6%
46	Amerada Hess Earnings to Alaska Capital Income Fund	-	67.9	-	-	67.9	-	41.4	-	-	41.4		
47	Inflation Proofing Deposits to Principal	-	-	-	-	-	-	-	-	-	-		
48	Inflation Proofing Deposits from ERA	-	-	-	-	-	-	-	-	-	-		
49	**Supplemental Appropriations (Permanent Fund)**	**1,225.5**	**-**	**-**	**-**	**1,225.5**	**-**	**-**	**-**	**-**	**-**	(1,225.5)	
50	Permanent Fund Dividends	1,225.5	-	-	-	1,225.5	-	-	-	-	-		
51	**Pre-Transfers Authorization** (unduplicated)	**6,520.8**	**1,063.1**	**739.4**	**4,630.4**	**12,953.7**	**6,313.8**	**987.8**	**948.3**	**4,074.8**	**12,324.8**	**(207.0)**	**-3.2%**
52	***Pre-Transfer Surplus/(Deficit) (8)***	*(2,077.7)*	***Revenue =***	*68.1%*	***of Appropriations***		*(2,041.9)*	***Revenue =***	*67.7%*	***of Appropriations***			

January 15, 2020

State of Alaska Detailed Fiscal Summary--FY21 and FY22

($ millions)

#		FY21 Management Plan + Governor's Supplementals					FY22 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	$	%
53	**Fund Transfers (7)**	**(1,184.6)**	**6.7**	**0.2**	**-**	**(1,176.9)**	**(2,004.0)**	**3.0**	**0.3**	**-**	**23.1**	**(819.4)**	
54	**Current Fiscal Year Transfers**	30.4	2.9	0.2	-	33.6	19.9	3.0	0.3	-	23.1	(10.5)	
55	AK Marine Highway System Fund	14.5	-	-	-	14.5	-	-	-	-	-	(14.5)	
56	Alaska Capital Income Fund *(non-additive)*	-	-	-	-	-	5.3	-	-	-	5.3	-	
57	Oil & Hazardous Substance Fund	15.6	1.9	-	-	17.5	14.3	1.9	-	-	16.2	(1.3)	-8.0%
58	Other Fund Transfers	0.4	1.0	0.2	-	1.6	0.3	1.1	0.3	-	1.6	(0.0)	
59	**Supplemental Appropriations (Fund Transfers)**	(1,215.0)	3.8	-	-	(1,210.4)	(2,023.9)	-	-	-	-	(809.0)	
60	Permanent Fund Earnings Reserve Account	(1,225.5)	-	-	-	(1,225.5)	(2,023.9)						
61	Alaska Capital Income Fund (non-additive)	12.8	3.8	-	-	16.5	-	-	-	-	-	(12.8)	
62	Alaska Housing Capital Corporation	(0.8)											
63	Misc. GF Transfers	(1.4)	-	-	-	(1.4)	-	-	-	-	-	1.4	
64	**Post-Transfers Authorization** (unduplicated)	**5,336.3**	**1,069.8**	**739.6**	**4,630.4**	**11,776.8**	**4,309.8**	**990.7**	**948.6**	**4,074.8**	**12,348.0**	**(1,026.5)**	**-19.2%**
65	***Post-Transfer Surplus/(Deficit) to/(from) CBR (8) (9)***	*(893.1)*	*Revenue =*	*83.3%*	*of Appropriations*		*(37.9)*	*Revenue =*	*99.1%*	*of Appropriations*			
66	**FISCAL YEAR SUMMARY**	**5,336.3**	**1,069.8**	**739.6**	**4,630.4**	**11,776.8**	**4,309.8**	**990.7**	**948.6**	**4,074.8**	**10,324.0**	**(1,026.5)**	**-19.2%**
67	**Agency Operations**	4,013.7	815.6	620.7	2,909.9	8,359.9	3,810.5	785.4	606.0	2,871.5	8,073.5	(203.1)	-5.1%
68	Statewide Items	476.3	130.8	77.4	664.0	1,348.5	420.8	90.7	196.6	44.7	752.7	(55.5)	-11.7%
69	Permanent Fund Appropriations	1,905.5	67.9	-	-	1,973.4	2,023.9	41.4	-	-	2,065.3	118.4	6.2%
70	**Total Operating**	**6,395.5**	**1,014.3**	**698.0**	**3,573.9**	**11,681.8**	**6,255.3**	**917.5**	**802.6**	**2,916.2**	**10,891.6**	**(140.2)**	**-2.2%**
71	**Capital**	**125.3**	**48.7**	**41.3**	**1,056.5**	**1,271.9**	**58.5**	**70.3**	**145.7**	**1,158.6**	**1,433.2**	**(66.8)**	**-53.3%**
72	***Transfers***	***(1,184.6)***	***6.7***	***0.2***	***-***	***(1,176.9)***	***(2,004.0)***	***3.0***	***0.3***	***-***	***(2,000.8)***	***(819.4)***	

Notes:

January 15, 2020

(1) The Department of Revenue's Fall 2020 oil forecast for FY21 is 0.477 mbd at $45.32 per barrel; the FY22 forecast is 0.440 mbd at $48.00 per barrel.

(2) 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 FY22 will be unknown until the close of FY21. Reappropriations to operating budget funds are counted as UGF revenue.

(3) 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. Several appropriations for federal receipts include "open ended" authorization that allow the agencies to accept any amount of federal funds received in connection to COVID-19 response (Medicaid, Public Health Emergency Programs, Disaster Relief Fund, Unemployment Insurance, and Workforce Services). The amount of actual FY21/FY22 federal receipts for COVID-19 response may be greater than shown.

(4) 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.

(5) Retirement legislation proposal to change the payroll rate for the Public Employee Retirement System (PERS) for State of Alaska employees from 22% to the annual actuarial rate, estimated to be 30.11% in FY22. The Public Employee Retirement System (PERS) unfunded liability is financed through a combination of contributions from PERS employers of 22 percent of payroll and a state assistance payment for the remaining liability made by the State of Alaska. The proposed change to the PERS statutes will impact the State of Alaska as a PERS employer by lifting the 22 percent cap on the payroll contribution for the State of Alaska only. All other

(6) 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.

(7) "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. For example, the appropriation to transfer court filing fees from the general fund to the civil legal services fund.

(8) Based on language in FY21's capital budget and the FY22 budget, the General Fund deficit for FY21 and FY22 will be drawn from the Constitutional Budget Reserve Fund. The CBR balance is estimated to be $917.9 million at the end of FY22, however general fund borrowing reduces the cash balance by approximately $500 million for cash flow purposes.

Differences in revenue and actual spending of appropriations impact the actual CBR balance. Operating appropriations may not be fully spent, capital appropriations are not fully spent in the fiscal year appropriated, settlements and investment income can be different than projected, disasters can occur, and appropriations based on estimates or based on actual revenue received can be different than estimated. Uncertainty associated with the COVID 19 pandemic, both on State income and expenditures, along with the impact of the federal response, may result in a change in the CBR draw and balance. This fiscal summary includes appropriations and RPLs authorized through December 10, 2021.

It is unlikely that the CBR will have sufficient cash to cover appropriations or general fund cash borrowing beyond FY22.

(9) Direct appropriations from the Constitutional Budget Reserve (CBR) are classified as unrestricted general funds. FY21 CBR appropriations total $1,064.2 and are: $575.1 million agency operating appropriations, $84.6 for State Retirement appropriations, $320 million for permanent fund dividends, $75 million for DHSS COVID-19 response.

The Governor's budget proposes direct FY21 CBR supplemental appropriations to reappropriate $30 million of the $75 million DHSS COVID-19 response appropriation to the Disaster Relief Fund and $9.5 million of capital projects to the Alaska Capital Income Fund. No direct CBR appropriations are proposed in the Governor's FY22 budget.

CBR Direct Appropriations	**FY21**	
Agency Operations	575.1	
DHSS Public Health Emergency COVID-19 Response	75.0	(Proposed $30M Reappropriation to Disaster Relief Fund)
State Retirement System	84.6	
Permanent Fund Dividends	320.0	
Proposed Capital Reappropriations to AK Capital Inc Fund	9.5	
Total CBR Direct Appropriations	**1,064.2**	

Projected Fund Balances -- FY21 and FY22

($ millions)

	FY21				FY22			
	BoY Balance	In	Out	EoY Balance	BoY Balance	In	Out	EoY Balance
Total Budget Reserves and Desginated Funds	**16,134.1**	**4,946.7**	**6,594.8**	**14,486.0**	**14,486.0**	**5,444.0**	**6,553.8**	**13,376.2**
Undesignated Reserves	**1,763.9**	**63.0**	**894.1**	**932.8**	**932.8**	**25.6**	**38.6**	**919.7**
Constitutional Budget Reserve Fund	1,762.0	62.0	893.1	930.9	930.9	25.6	37.9	918.6
Statutory Budget Reserve Fund	0.0	-	-	0.0	0.0	-	-	0.0
Alaska Housing Capital Corporation Fund	1.9	1.0	1.0	1.9	1.9	-	0.8	1.1
Select Designated Funds	**14,370.2**	**4,883.8**	**5,700.7**	**13,553.2**	**13,553.2**	**5,418.4**	**6,515.2**	**12,456.4**
Total Excluding Permanent Fund	**1,476.0**	**142.1**	**117.8**	**1,500.4**	**1,500.4**	**152.4**	**152.0**	**1,500.8**
Alaska Capital Income Fund	(5.9)	23.1	17.4	(0.3)	(0.3)	49.0	49.8	(1.0)
Alaska Higher Education Investment Fund	343.8	20.6	21.0	343.3	343.3	20.5	21.8	342.0
Community Assistance Fund	60.0	28.7	20.0	68.7	68.7	12.4	22.9	58.2
Power Cost Equalization Endowment	1,078.2	69.8	59.3	1,088.6	1,088.6	70.4	57.5	1,101.5
Permanent Fund Earnings Reserve Account*	**12,894.2**	**3,498.7**	**4,340.0**	**12,052.8**	**12,052.8**	**4,023.0**	**5,120.2**	**10,955.6**
Unrestricted General Fund Appropriations				6,520.8				6,313.8
Reserves Ratio (Undesignated Reserves / Pre-Transfer Budget)				14%				15%
Pre-Transfer Deficit				(2,077.7)				(2,041.9)
Years of Deficit Coverage (Undesignated Reserves / Pre-Transfer Deficit)				0.45				0.45

Permanent Savings

Permanent Fund Principal -- Market Value * **(no appropriations allowed)**	**52,408.1**	**768.7**	**0.0**	**53,176.8**	**53,176.8**	**481.0**	**0.0**	**53,657.8**

** Alaska Permanent Fund Corporation (APFC) median projection for FY21 and FY22 as of November 30, 2020.*

January 15, 2021

Executive Summary

As required by law, the Governor released his FY22 budget proposal to the public and the legislature on December 15, 2020. The Legislative Finance Division prepared this Overview of the Governor's Budget and "Subcommittee Books" for each agency in accordance with AS 24.20.211-.231.

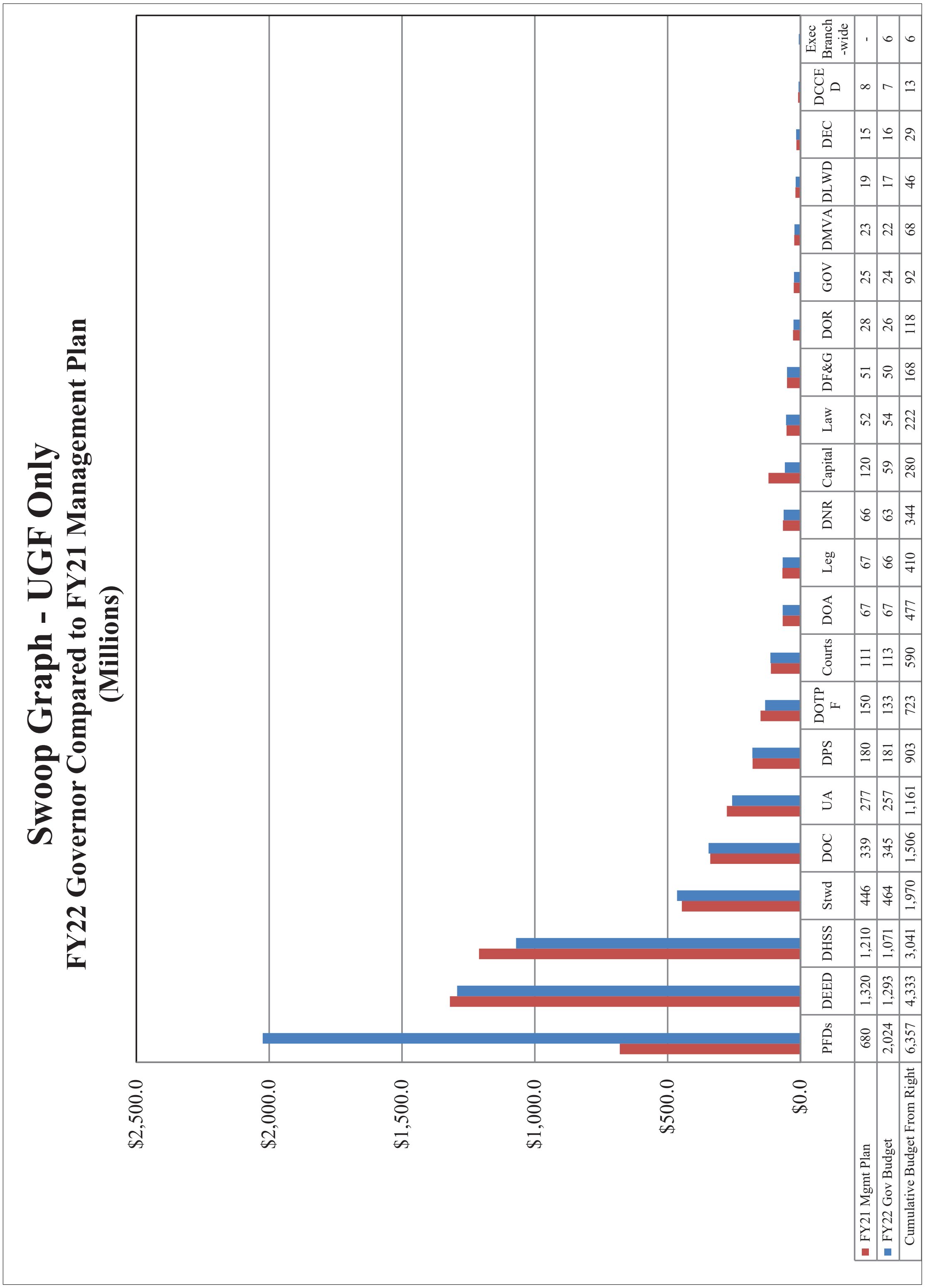
The overview provides a starting point for legislative consideration of the Governor's spending and revenue plans. It does not discuss the merits of budget plans; it focuses on outlining the fiscal situation and presenting the budget in a way that provides simple, clear information to the legislature.

Alaska has a long-term fiscal challenge: the current fiscal year, Fiscal Year 2021 (FY21) is the ninth straight year of deficit spending. Though the State has reduced UGF expenditures by 43% over that time and increased revenue by setting up a structured draw from the Permanent Fund, we still face a structural deficit. During this period, the State has gone from $16.3 billion in reserves to under $1 billion at the end of this year.

The Governor's FY22 budget request is smaller than the FY21 budget (other than the Permanent Fund Dividend) but still leaves a deficit of over $2 billion, which the Governor fills by increasing the draw from the Permanent Fund beyond the statutory sustainable draw. The Governor also draws an additional $1.2 billion from the Permanent Fund for a second dividend payment in FY21, for a total of $3.2 billion in overdraws from the Fund.

The Governor recognizes that this is unsustainable, however, and in his budget release he emphasized that these draws are necessary because of the COVID-19 pandemic. The Governor's long-term plan calls for balancing the budget in FY23 by adding $1.2 billion of unspecified new revenue, reducing the dividend by $400 million, and further reducing agency operations.

The legislature faces dual problems: a state struggling with a historic pandemic that has caused record unemployment and economic hardship, and a long-term budget crisis that has drained the State's budget reserves. The incoming legislature faces difficult choices that will have a lasting effect on the State of Alaska.

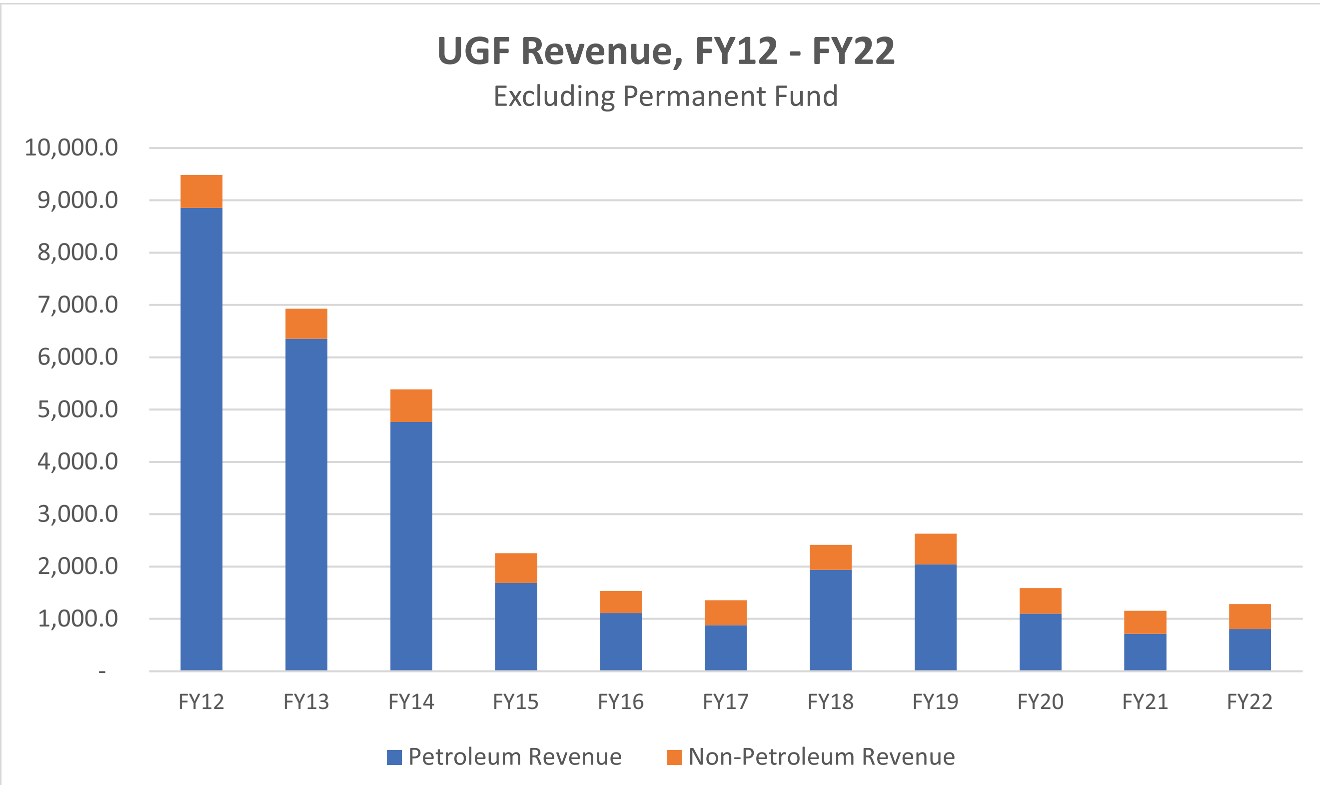


	PFDs	DEED	DHSS	Stwd	DOC	UA	DPS	DOTPF	Courts	DOA	Leg	DNR	Capital	Law	DF&G	DOR	GOV	DMVA	DLWD	DEC	DCCED	Exec Branch-wide
FY21 Mgmt Plan	680	1,320	1,210	446	339	277	180	150	111	67	67	66	120	52	51	28	25	23	19	15	8	-
FY22 Gov Budget	2,024	1,293	1,071	464	345	257	181	133	113	67	66	63	59	54	50	26	24	22	17	16	7	6
Cumulative Budget From Right	6,357	4,333	3,041	1,970	1,506	1,161	903	723	590	477	410	344	280	222	168	118	92	68	46	29	13	6

Alaska’s Long-Term Fiscal Challenge

Fiscal Year 2021 represents the ninth straight year the State of Alaska has run a fiscal deficit, starting in FY13 when oil prices exceeded $100 per barrel. Large but manageable deficits in FY13 and FY14 gave way to multi-billion-dollar gaps when oil prices crashed in FY15.

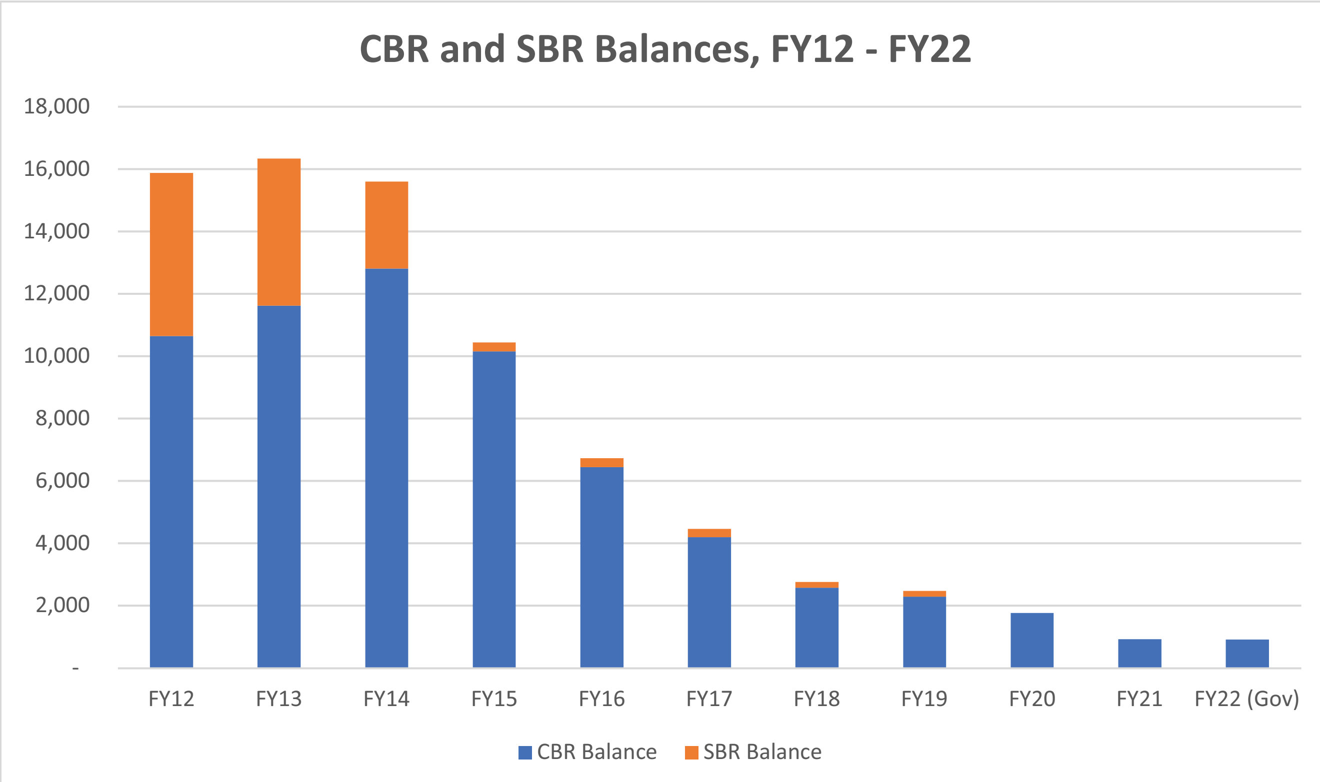
The degree to which petroleum revenue collapsed is striking: in FY12, UGF petroleum revenue totaled $8.9 billion, while in FY22 it is projected to total just $808.9 million. This is lowest total in *nominal* terms since FY78, the year oil began flowing down the Trans-Alaska Pipeline. In inflation-adjusted terms it is the lowest since FY75, the year construction began on the pipeline. This decline is primarily due to reduced production (current production is about a quarter of the peak) and lower prices.



This is not a temporary problem: while FY21 and FY22 likely represent a low point for Alaska’s revenue outlook due to the coronavirus pandemic, the Department of Revenue projects petroleum revenue to increase by a few hundred million over the FY22 low. While there are some promising potential fields that could be developed to increase production, new fields like Pikka or Willow may take several years to provide significant production tax revenue. Even if the State’s revenue position improves significantly (due to higher oil prices or increased production), the State would face a structural deficit, as it did in FY18 and FY19 when petroleum revenue was more than double its current level.

Alaska had ample budget reserves at its disposal to cushion the shock when revenue plummeted in FY15. The State’s budget reserves peaked in FY13 with $16.3 billion combined in the Constitutional Budget Reserve (CBR) and Statutory Budget Reserve (SBR). Using budget reserves has shielded

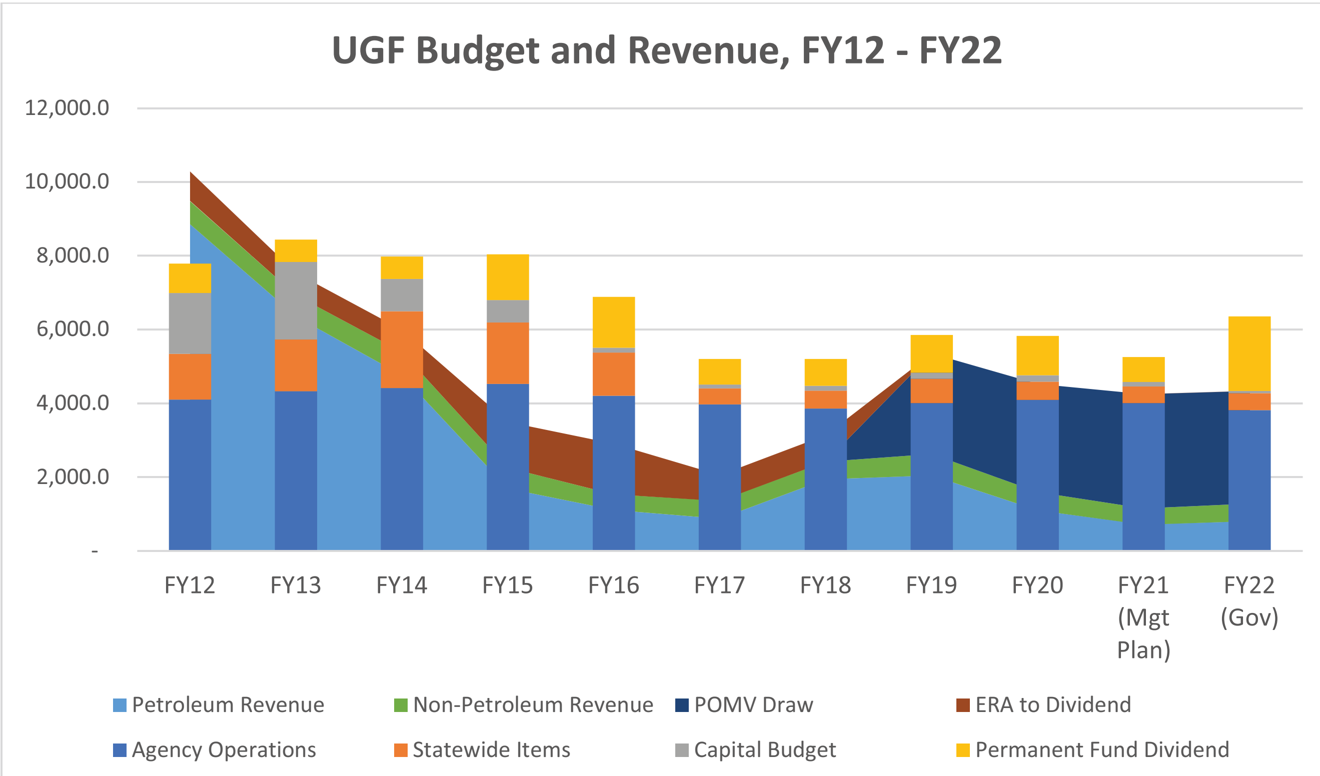
Alaska's economy from some of the impact of the budget problems. At the end of FY21, however, the SBR will be empty and the CBR is projected to hold under $1 billion, so we are now essentially out of spendable reserves. The remaining balance of the CBR can still serve as a cashflow tool but can no longer absorb the State's deficit spending.

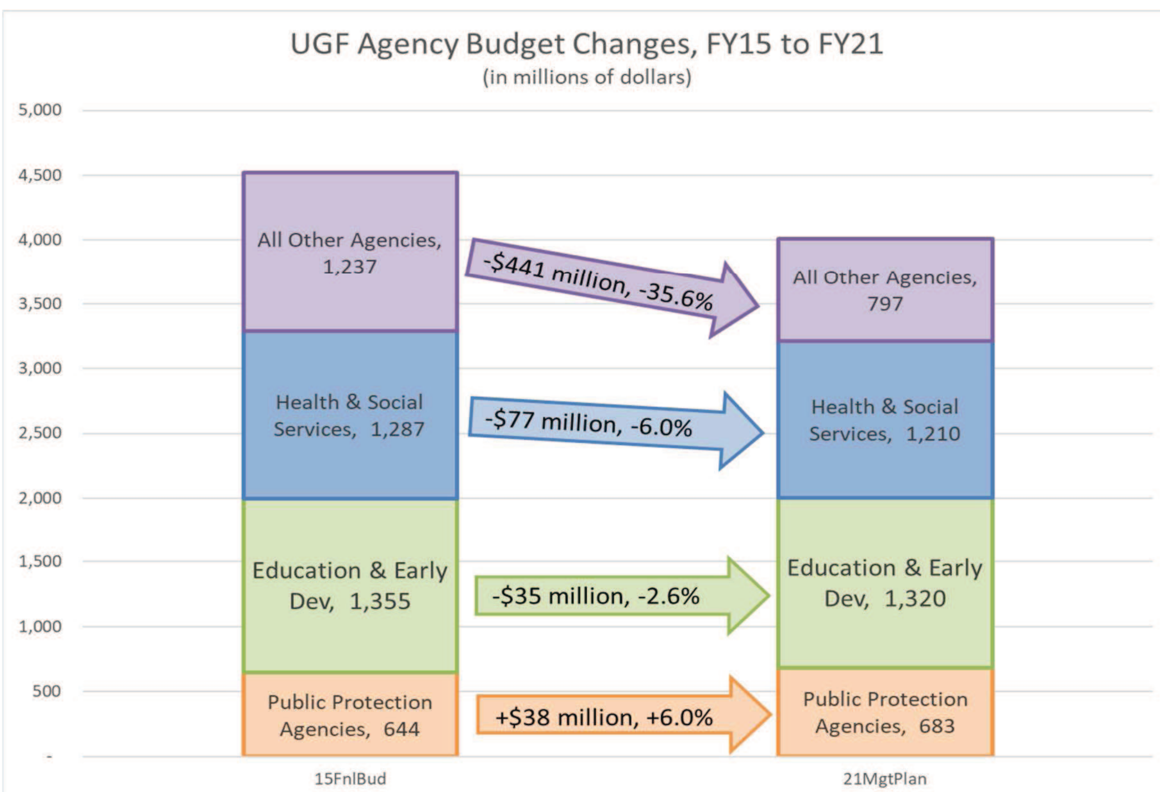


Heading into FY22, a structural deficit remains but is much smaller than it would have been without action by policymakers. It is tempting to regard nine years of budget deficits as wasted time, but in truth the legislature and Governors have managed to reduce the budget significantly and adopt a major revenue measure. These efforts have not been sufficient to eliminate the deficit, but they do improve our position.

The FY13 budget totaled $7.8 billion UGF, compared to just $4.5 billion in FY21 (a 43% reduction). By far the largest reduction was to the capital budget, which dropped from $2.1 billion UGF in FY13 to $120 million UGF in FY21. Reductions occurred in most major expenditure categories: statewide items fell from $1.4 billion in FY13 to $446 million in FY21, and agency operations fell from $4.5 billion at their peak in FY15 to $3.9 billion in FY21.

The only major item to increase over this period is the Permanent Fund Dividend, even though appropriations for this item have not followed the statutory formula since FY16. The FY14 dividend (following the statutory formula) was $900 per person and cost $604 million, while the FY21 dividend (appropriated below the statutory amount) was $992 per person and cost $680 million. From FY10 through FY14, the statutory PFD amount was depressed by the stock market crash of the 2008-2009 Great Recession. Starting in FY15, the recession fell out of the five-year average, so the statutory calculation doubled from $604 million in FY14 to $1.2 billion the following year; it is projected to cost just over $2 billion in FY22.





The agency operations reductions appear relatively modest compared to the size of the drop in revenue: the $514.2 million reduction in UGF spending from FY15 to FY21 represents an 11.4% decrease. Those reductions have not been equally spread, however. Public protection agencies (the departments of Corrections, Law, Public Safety, and the Judiciary) actually saw an increase of $38 million (6.0%). The Department of Education, which mostly consists of formula-driven funding for school districts, was reduced by $35 million (2.6%). Health and Social Services, which includes large formula-driven programs such as Medicaid, was reduced by $77 million (6.0%), although the FY21 budget was inflated somewhat by $95 million of one-time spending on the COVID-19 pandemic. Most of the reductions fell on the other twelve agencies, which saw their budgets reduced by $441 million (35.6%).

On the revenue side, Alaska adopted a Percent of Market Value (POMV) draw from the Permanent Fund starting in FY19, which is now the largest source of UGF revenue. This had a major impact on the deficit: without the POMV draw, the FY21 deficit would balloon from an estimated $900 million to over $3 billion. However, no broad-based revenue measures have been adopted. A few minor revenue-generation bills have been adopted, such as legislation increasing hunting and fishing license fees and a $0.0095 per gallon fee on motor fuels to support oil spill response, but these measures have had a limited impact on the deficit.

Despite these spending reductions and the POMV draw, Alaska still faces a massive deficit in FY22 and future years. Making up this gap from reserves is no longer possible, so the State now has a choice: enact some combination of spending cuts and revenue increases to eliminate the deficit or spend unsustainably out of the Permanent Fund or other accounts, which will make the deficit even larger in subsequent years.

Alaska's Fiscal Situation in FY22

Entering the FY22 budget year, Alaska faces a difficult budget situation. The COVID-19 pandemic damaged the State's economy and drove down oil prices even further, exacerbating the State's fiscal situation. There are insufficient budget reserves available to continue to fill the deficit.

FY22 Current Policy and Current Law Scenarios		
UGF Revenue	**4,271.9**	**4,271.9**
	Current Policy	**Current Law**
Agency Operations	3,887.9	3,887.9
Statewide Items	434.5	603.0
Capital Budget	150.0	150.0
Subtotal	**4,472.4**	**4,640.9**
PFD	680.0	2,023.9
Total Spending	**5,152.4**	**6,664.8**
Deficit	**(886.2)**	**(2,392.9)**

The Legislative Finance Division has two budget baselines for FY22, one reflecting current policy and the other reflecting current law. Both baselines assume that agency operations budgets match the FY22 Adjusted Base, which is the FY21 budget with one-time spending removed and contractual obligations added.[1] Both assume a capital budget of $150 million, which represents a typical capital budget over the past six years. The difference is their treatment of statewide items: in the current policy scenario, we assume that items will be funded as they were in FY21, while the current law scenario assumes that they will be funded in accordance with statutory formulas.

In FY21, the Governor vetoed all funding for school debt reimbursement, municipal capital project reimbursement, and the Regional Educational Attendance Area (REAA) fund capitalization. The legislature did not override these vetoes. The legislature also declined to fund the statutory calculation for oil and gas tax credit purchases (due to a bonding bill that was later ruled unconstitutional) and funded the PFD below the statutory calculation. The Current Policy scenario assumes that these policies continue into FY22. The Current Law scenario assumes that statutory calculations are followed for all these items.

Statewide Items Detail		
	Current Policy	**Current Law**
Debt Service	92.5	94.9
School Debt Reimbursement	-	54.2*
State Retirement Payments	342.0	342.0
REAA Fund Capitalization	-	34.2
Community Assistance	-	17.6**
Oil and Gas Tax Credits	-	60.0
Statewide Items Total	**434.5**	**603.0**
*Plus $29.3 million from the School Fund (DGF) **Plus $12.4 million from the PCE Fund (DGF)		

Under the Current Policy scenario, FY22 UGF spending would total $5.2 billion, leaving a deficit of $886.2 million. In the Current Law scenario, FY22 UGF spending would be about $6.7 billion, leaving an even greater deficit of about $2.4 billion.

To put this deficit in perspective, $2.4 billion is equal to 62% of UGF agency operations spending, or 52% of the non-PFD budget.

[1] The one exception is the K-12 formula; for this item, both scenarios use the FY22 projected formula amounts rather than the Adjusted Base figure, which represents the FY21 budgeted amount.

Governor’s Budget Proposal

Overall View

The Governor’s FY22 budget totals $6.3 billion UGF. This leaves a deficit of over $2 billion, which the Governor fills by making two draws from the ERA: a $3.1 billion POMV draw and a separate $2 billion draw for the FY22 statutory dividend. The Governor also proposes paying an additional $1.2 billion from the ERA for an FY21 supplemental PFD. In total, the Governor’s budget proposal calls for $6.3 billion from the ERA, $3.2 billion above the statutory POMV draw.

The Governor’s 10-year plan, however, points toward a path to a balanced budget in FY23. The Governor proposes to change the statutory PFD formula from 50% of statutory net income to 50% of the POMV draw, which reduces projected dividend payments by about $400 million below the current statute. His 10-year plan calls for about $100 million in agency operations reductions per year in FY23 and FY24 and then sub-inflationary growth in subsequent years. Most significantly, his plan calls for between $900 million and $1.2 billion in undefined “new revenue” beginning in FY23.

The Governor’s plan aims to combine immediate economic stimulus with a longer-term solution to Alaska’s budget challenge. The stimulus comes in the form of the supplemental FY21 PFD, the larger FY22 PFD, and a $350 million general obligation bond package. The long-term solutions come as a combination of reduced future PFDs, undefined future spending cuts, and undefined future revenue.

There are several challenges for this approach:

1. Overdrawing the ERA reduces the Permanent Fund’s value, increasing future deficits and necessitating more significant budget reductions or revenue measures in the future.
2. The need for economic stimulus is acute and immediate, but the stimulative effect of a bond package and large fall PFD will not be felt for months. By then, the economy may be well on its way to a vaccine-fueled recovery.
3. Legislators and the Governor would need to quickly agree on new sources of revenue – to raise the $1.2 billion the Governor’s plan requires in FY23, a new tax would need to take effect July 1, 2022. Such a plan would need to be enacted in the 2021 session to take effect that immediately. The Governor also indicated that future taxes should be subject to a popular vote, which may also impact the timeline if the legislature agrees.
4. The Governor has not yet stated which future budget reductions and new revenue he would support. Legislators may be wary of signing onto a plan without knowing what concepts the Governor would support or oppose.

In evaluating the Governor’s plan, legislators will need to weigh the economic benefit of stimulus spending against the long-term cost of overdrawing the ERA. Each $1 billion drawn from the ERA increases the long-term deficit by $50 million in inflation-adjusted terms, so the Governor’s $3.2 billion of overdraws will increase future deficits by $160 million per year in real terms. Is this a worthwhile trade? Should stimulus spending be targeted more narrowly? Will the federal government provide sufficient stimulus, or will federal efforts continue to stall? These are literally billion-dollar questions for the State, and legislators will need to weigh the trade-offs carefully.

A major risk with this plan is that it may prove easier to approve spending than deficit-filling measures. If the legislature agreed to the Governor's FY21/22 stimulus proposals but did not act on revenue measures or future spending reductions, Alaska's fiscal situation would become further unbalanced. The ERA could rapidly meet the same fate as the CBR and SBR if the legislature authorizes overdraws this year without taking action to address the long-term budget gap.

The Governor does not specify which potential new revenue sources he would support. For more information about potential revenue sources, see the chapter in this publication entitled "Revenue Requirements of the State."

The legislature could also choose an entirely different combination of spending reductions, dividend formula changes, and revenue increases to close the deficit. What is clear is that further delay is costly because the remaining funds available to bridge the gap are dwindling. Spending the ERA causes future deficits to grow, requiring more future taxes or spending reductions, and increases the risk of depleting the ERA. Spending designated reserves like the Power Cost Equalization fund would increase the need for UGF spending to maintain the programs they support. These DGF funds only combine for a $1.5 billion balance anyway, so even drawing these funds in full would only delay the problem slightly, not resolve it. With insufficient funds left in the CBR to fill the deficit in the Governor's budget, every year of delay will only cause the problem to grow.

Some advocates for the Governor's plan note that the Permanent Fund has greatly exceeded investment forecasts thus far in FY21, and therefore spending beyond the statutory draw poses no problems because the money is available. This argument ignores the central reasoning behind the adoption of the POMV draw in the first place: investment returns are inherently volatile, and a stable draw allows the State to budget predictably through the highs and lows. The ERA is not a budget reserve, it is the safety margin supplementing the source of the majority of the State's general fund revenue. There is enough money to support overdraws now but riding the upswing of a volatile stock market is an inherently risky strategy. If the additional earnings are left in the ERA, future POMV draws will be larger (meaning future deficits will be smaller) and the ERA will be more resilient against future downswings.

The legislature could reject the Governor's calls for stimulus spending and pass a budget with a smaller dividend, once again filling the deficit from the CBR. The Governor's budget, modified to include a reduced PFD that matches the FY21 payment, would leave a roughly $700 million deficit, which could be filled from the CBR. However, this does not avoid the need for additional budget reductions or revenue starting in FY23, since the CBR does not have a sufficient balance to fill the deficit in both years.

Governor's Agency Operations Changes

The Governor's budget for agency operations totals $3,810.5 million UGF, $77.4 million below LFD's baseline. Detailed analysis of these changes appears in the Agency Narratives section of this publication. A few highlights:

- Medicaid funding is reduced by $35.1 million UGF. However, the Governor's budget reappropriates FY21's estimated Medicaid lapse of $35 million to FY22 Medicaid operations. This effectively negates any reduced funding in FY22.

- The University of Alaska is reduced by $20 million UGF, per the three-year compact agreement between the Governor and the Board of Regents.
- The Department of Transportation and Public Facilities is reduced by $17.2 million UGF below Adjusted Base. $14.1 million of this is due to one-time fund source changes to utilize federal funds available to DOT through the CARES Act and $3.6 million is a reduction to the Alaska Marine Highway System.
- Public Assistance Administration is reduced by $3.4 million UGF ($7.0 million all funds) and 101 positions due to enhanced use of Electronic Document Management and telework.
- All other changes net to a reduction of $1.7 million.

The reductions in this budget illustrate the difficulty of making further large-scale operating cuts. The DOT fund changes will likely need to be reversed in FY23. The $35.1 million Medicaid reduction relies on one-time backstop funding; maintaining this funding level in FY23 will require a decrease in service level. This is the final year of the University's $70 million reduction compact. To make the deeper reductions proposed in FY23 and FY24 in the Governor's 10-year plan, larger statutory changes will need to be explored.

Governor's Statewide Operating Items

The Governor's budget for statewide items totals $464.1 million UGF, which is $29.6 million above LFD's Current Policy baseline, and $139.9 million below the Current Law Baseline.

School Debt Reimbursement and the REAA Fund

The Governor funds School Debt Reimbursement and the Regional Educational Attendance Area (REAA) fund at 50% of the statutory funding level. In FY21, the legislature's budget included full funding for these items, but the Governor vetoed it. The Governor's FY21 veto totaled $100.2 million, of which $84.3 million was UGF and $15.8 million came from the School Fund (DGF).

In FY22, the estimated amount for full funding of school debt reimbursement drops to $83.5 million, as several older projects are paid off and the moratorium on new debt continues. In addition, the vetoed money from the School Fund is still available, which reduces the UGF need for this item. As a result, full funding would require $54.2 million in addition to the School Fund balance. The Governor's 50% funding totals $12.5 million.

The Governor also funds the REAA capitalization at 50%, which is calculated to be $17.1 million. This amount is set by a statutory formula that links the school debt amount to the relative share of students in rural and urban communities. The fund is used without further appropriation by the Department of Education and Early Development for school construction and major maintenance in the REAAs. Over the past several years, reductions in school debt reimbursement have been matched by reductions to the REAA capitalization.

Oil and Gas Tax Credits

HB 331, a 2018 bill to establish the Alaska Tax Credit Certificate Bond Corporation to purchase oil and gas tax credits, was declared unconstitutional by the Alaska Supreme Court in September 2020. As a result, approximately $760 million of oil and gas tax credits are available for State purchase. AS 43.55.028(c) provides a formula for appropriations to the oil and gas tax credit fund to purchase these credits. When oil prices are below $60, that calculation is 15% of production taxes levied (not including tax credits taken against the production tax), which is an estimated $60 million in FY22. These purchases are subject to appropriation, and the legislature did not appropriate anything to the Tax Credit fund in FY21.

The Governor's budget includes the statutory $60 million deposit in FY22 but takes it from Alaska Industrial Development and Export Authority (AIDEA) Receipts, which are considered an Other fund source. The use of this fund source is clearly an attempt to lower the apparent cost of the budget, as there is no link between AIDEA and the tax credits. This item should be funded with UGF, if the legislature chooses to fund it. If the legislature determines that AIDEA has excessive funds on hand, it can either appropriate these funds directly to the general fund or change AIDEA's dividend calculation in statute. Using AIDEA receipts directly in the budget is not consistent with transparent budgeting practices.

Community Assistance

The Community Assistance Program provides funding to municipalities, unincorporated communities, and Native village councils in Alaska to support local government activities. The total distribution each year equals one-third of the balance of the Community Assistance Fund on June 30 of the previous fiscal year. This means that there is a built-in delay to the program: capitalization of the fund in FY22 will contribute to the payments made in FY23.

The current iteration of the program pays out base payments, which cost a total of about $19.5 million, and then distributes remaining funding on a per-capita basis. Per AS 29.60.850, the annual deposit into the fund may not exceed $30 million or the amount necessary to bring the fund balance to $90 million, whichever is greater. In FY20, the Governor twice vetoed $30 million deposits appropriated by the legislature and vetoed $1.3 million of the FY21 deposit made by the legislature. In FY22, the distribution will be $22.9 million total.

	FY21	**FY22 (Gov)**	**FY23**
Starting Balance	60.0	68.7	58.2
Distribution (1/3 of balance)	20.0	22.9	19.5
Deposit to Fund	28.7	12.4	?
Ending Balance	68.7	58.2	?

AS 42.45.085 provides that the Power Cost Equalization Endowment (PCE) Fund may be used as a funding source for this program if it has sufficient earnings. The statutory amount available from PCE to Community Assistance in FY22 is $12.4 million. However, this statute does not override AS 29.60.850, which allows the fund to be capitalized up to a $90 million balance; it merely provides one possible funding source for that capitalization. A larger capitalization using UGF would be allowable under the statute if the legislature wants to increase payments. Based on the Governor's proposed FY22 deposit, $19.5 million would flow out to local governments in FY23, roughly enough to pay the base payments but no per capita payments.

Other Statewide Items

The Governor's budget fully funds State debt and retirement obligations. It does not fund municipal capital project debt totaling about $2.4 million, which the Governor also vetoed in FY20 and FY21.

The Governor's December 15 budget submission included legislation regarding the Public Employee Retirement System (PERS), which is not actually built into his budget but is included in the accompanying fiscal summary. Currently, PERS employers (including the State of Alaska, many municipal governments, and some school district employers) pay 22% of employee payroll to the PERS trust to pay off the unfunded liability in that system. The 22% rate is set in statute, but the actuarial contribution in FY22 is 30.11% percent. The difference between the 22% cap and the actuarial rate is paid by the State with UGF, estimated to be $193.5 million in FY22.

The Governor's proposed legislation would eliminate the cap for the State as an employer and instead pay the full actuarial contribution, causing about $95 million of State costs to move from this statewide item to agency budgets. It would not affect rates for non-State employers, including subdivisions of the State such as State-owned corporations. The shift into agency operations allows some of the $95 million to be paid for with non-UGF fund sources. The Office of Management and Budget (OMB) estimates a savings of $43.3 million UGF, which will be shifted to other fund sources (primarily the federal government).

OMB's estimated savings includes a $10 million "buffer" for UGF to be used in place of funds sources that may prove unrealizable – not all of the identified non-UGF fund sources have additional receipts that could be used. The actual savings will be determined in a fiscal note when the bill is heard by the legislature.

Capital Budget

The Governor's FY22 capital budget submission totals $1.5 billion, of which $58.5 million is unrestricted general funds (UGF). The Governor's capital budget consists primarily of projects that leverage other Non-UGF fund sources. $7.5 million (12%) of the UGF in the Governor's capital budget is used to match federal funding totaling $1.16 billion. The remaining $101.6 million required match is covered through the Governor's proposed Alaska Housing Finance Corporation Statewide bonding package. The major federal match projects are:

- Federal-Aid Highway Match (Department of Transportation and Public Facilities) – ($71.2 million in AHFC Statewide Bonding) to match $680 million of federal funds;

- Federal-Aid Aviation State Match (Department of Transportation and Public Facilities) – ($14.7 million in AHFC Statewide Bonding) to match $190 million of federal funds; and

- Village Safe Water and Wastewater Infrastructure Projects (Department of Environmental Conservation) – ($15.7 million in AHFC Statewide Bonding, and $0.5 million in Statutory Designated Program Receipts) to match $52.3 million of federal funds.

The Governor's office has not provided any information regarding the estimated annual cost of servicing the AHFC bond debt going forward. The language of the proposed bond package states that the cost of debt service will be deducted from the annual divided that AHFC pays to the General fund, essentially making this an annual UGF cost in all but name. While this does lower the FY22 UGF amount, this mechanism cannot be counted on to reduce future capital budgets

The Governor's FY22 capital budget spends $49.3 million on the State's $1.3 billion backlog of deferred maintenance. No Deferred Maintenance (DM) funding was appropriated in FY21 and the Governor proposes a total of $13.3 million in supplemental DM spending. The Governor's budget does not include specific funding for the University of Alaska's DM backlog, which makes up the vast majority of the State's total backlog. Both the FY21 supplemental and the FY22 appropriations would be paid for out of the Alaska Capital Income Fund (ACIF).

For the second year in a row the budget does not include funding for School Construction or Major Maintenance. The Governor has announced that he will put forward a proposed General Obligation Bond package that may address one or both of these areas.

In FY21 no specific Capital budget was passed, though some items were included in the Operating bill (HB 205). This left approximately $172 million in unfunded Governor's proposed projects. The Governor approached this issue in three ways.:

- Through the Legislative Budget and Audit committee Revised Program Legislative (RPL) process
- By proposing a fast track supplemental bill
- By delaying the project or program until FY22

After taking these actions there are still around $54 million in unfunded projects; with some of them funded indirectly through Federal CARES act funding.

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 FY22 and FY21 Fast Track Supplemental budgets 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 FY21 Fast Track Supplemental would require an additional $1.2 billion from the ERA in addition to the POMV. The FY22 budget deficit is projected to be $2.2 billion, all of which would be drawn from the ERA. As a result, the ERA's balance would quickly erode and our total reserves would be insufficient to cover the State's budget deficit beginning in FY28. Over the model time span, fiscal deficits total almost $17 billion. That is the size of the issue that must be addressed through further budget reductions or revenue measures.

The second scenario depicts a scenario based on the Governor's 10-year plan. This plan suggests raising new revenue beginning with $1.2 billion in FY23 and decreasing to $900 million in FY30. The Governor's 10-year plan does not specify the source of this possible revenue. LFD's model of this scenario assumes a flat $1 billion per year of new revenue (the average value in the Governor's plan) rather than a fluctuating amount. The Governor is yet to propose a new tax or other revenue-generating measure. The Governor's scenario also assumes $100 million reductions to agency operations per year in FY23 and FY24 and 1.5% growth from FY25 on. An additional $43.3 million in savings from proposed legislation are included. In this scenario, the budget is balanced in FY23 and beyond.

LFD's assumptions for the scenario based on the Governor's plan differ slightly from those in the Governor's scenario, which causes LFD to show an FY23 deficit in the $200 million range even in the Governor's plan. These differences are caused by LFD's assumption of $50 million per year of UGF supplementals, LFD's assumption of a flat $1 billion per year in new revenues, versus a fluctuating amount, and some minor differences in baseline costs of statewide items.

Guide to LFD Fiscal Model Output

The LFD fiscal model output assumes that statutory inflation proofing does not occur until FY25, due to the additional $4 billion deposit made in FY20. The model assumes an additional $1.2 billion PFD in FY21, a statutory PFD beginning in FY22.

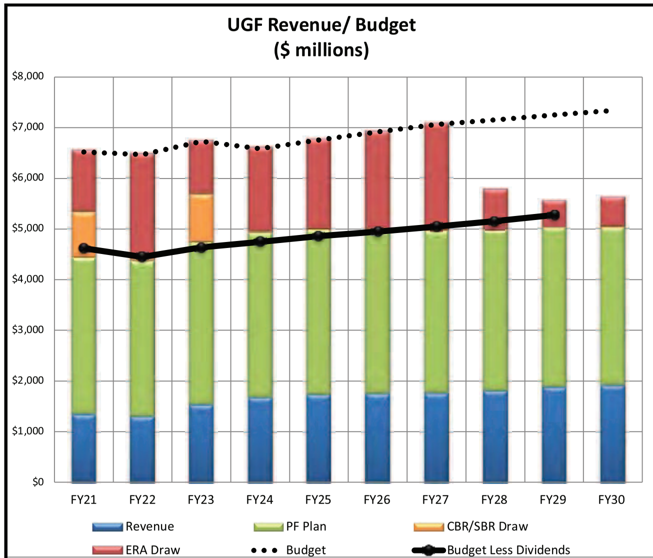
The model also assumes $50 million in supplemental appropriations per year, and the statutory draw to the oil and gas tax credit fund is made from the general fund.

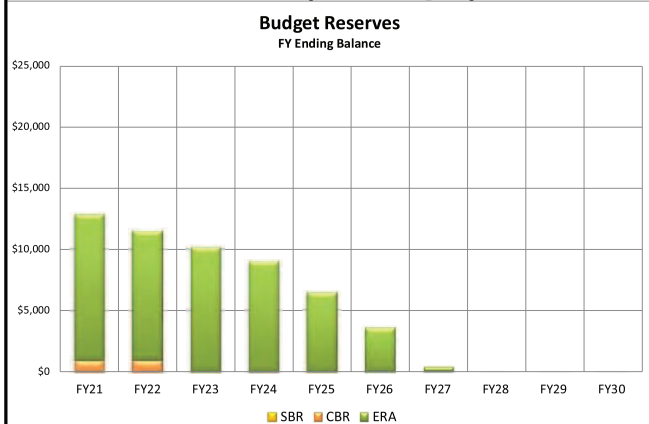
The second scenario differs from the Governor's 10-year plan for a few reasons. The 10-year plan does not include an assumption for supplemental appropriations. While the 10-year plan's undefined revenue averages out to $1 billion per year, the FY23 revenue is $1.2 billion. This differs from LFD's flat $1 billion.

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.

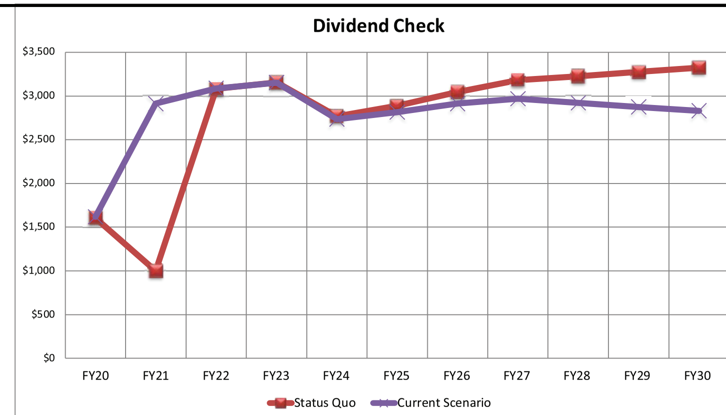
Right side: the top graph shows a comparison of the PFD per recipient under model assumptions vs. the statutory calculation. The middle graph shows how ERA overdraws affect future POMV calculations. Since the POMV calculation is based on a five-year average of the Permanent Fund value, each FY in the chart shows the total 5-year impact on the POMV calculation resulting from that FY's lower Permanent Fund value. The final graph shows the payouts from the ERA for dividends and the general fund. The bottom table summarizes the draws from the ERA.

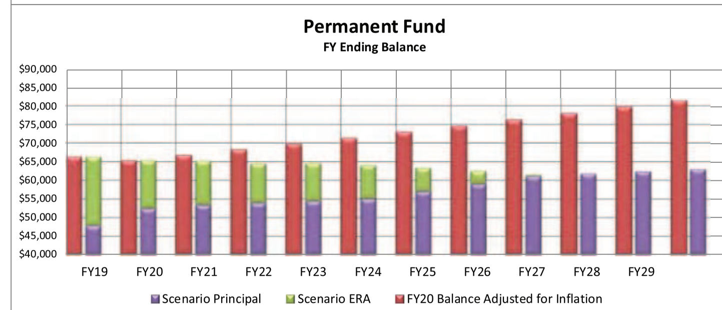


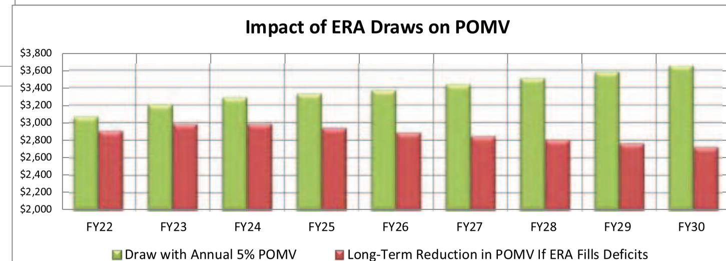


	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
ERA Bal.	11,912	10,579	10,163	9,018	6,424	3,541	358	0	0	0
Surplus/ (Deficit)	-2,119	-2,108	-2,017	-1,683	-1,795	-1,964	-2,119	-2,189	-2,248	-2,330
CBR/SBR Bal.	931	939	11	0	0	0	0	0	0	0
%Budget fr. Savings	32%	32%	30%	25%	26%	28%	30%	31%	31%	32%
Unplanned ERA Draw	1,225	2,070	1,063	1,658	1,785	1,954	2,109	787	528	590

Price Scenario	Fall Forecast
Production	Fall Forecast
COST VARIABLES	
Operating Budget	
Starting Point (FY22)	22 Gov
Growth Rate	2.25%
Budget Change (FY22+)	$ -
Tax Credit Payments	Statutory
School Debt Reimbursement	50%
Capital Budget (FY22-30)	FY22OMB10yrPlan
Supp Budget (FY22+)	50.0
REVENUE VARIABLES	
Sales Tax Type	N
Sales Tax Rate	0%
Income Tax	N
Motor Fuel Tax	N
Assumptions	
Inflation Rate	2.25%
PF Investment Return	Callan (6.48% FY21 then 6.75%)
% Realized	6.40%
Population Growth Rate	Labor Stats
CBR Earnings	2.25%
Reserve Priority	CBR
Minimum CBR Balance	$ -
Unplanned ERA Draws	Y
Permanent Fund Plan	**SB 26**
PLAN SPECIFICATIONS	
	Payout to GF
POMV Payout	5.00%
POMV Override	5.25%
Override Ends	21
	Dividend
FY22 Override	N
% of Stat Net Income to Div	50%
% of POMV Draw to Div	0%
Dividend Floor	0%
Floor Ends	0%
% of Royalties to Div	0%
Fixed Dividend	$ -
Repay Dividends	FY21 Only
Balanced Budget Dividends	N
POMV Deduction Before Div	None
	Other Provisions
New Royalties to PF	50%
All Royalties to PF	N

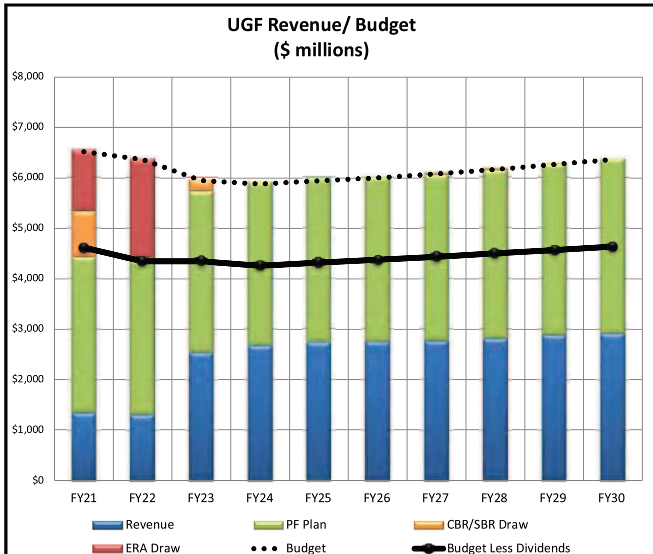


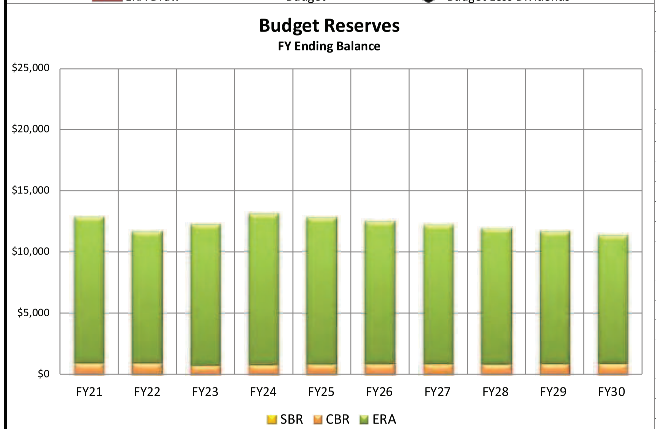




	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
POMV Draw	2,933	3,091	3,069	3,194	3,241	3,237	3,214	3,195	3,168	3,138	3,110
Inflation Proofing	4,758	-	-	-	-	1,079	1,111	1,144	-	-	-
Plan %	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Effective %	4.4%	6.6%	7.9%	6.6%	7.6%	7.8%	8.2%	8.5%	6.4%	5.9%	5.9%

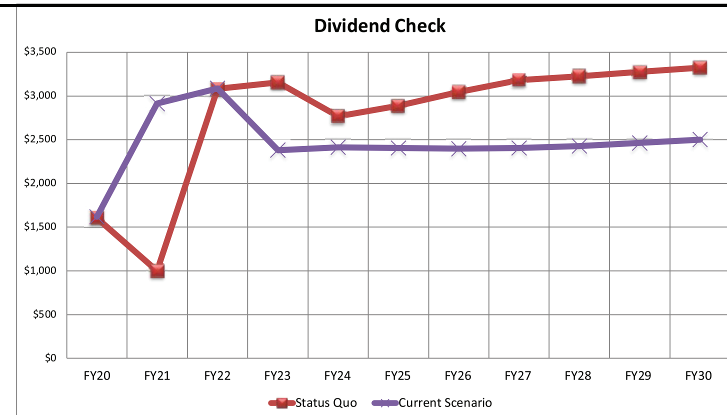
Scenario 1 - Status Quo

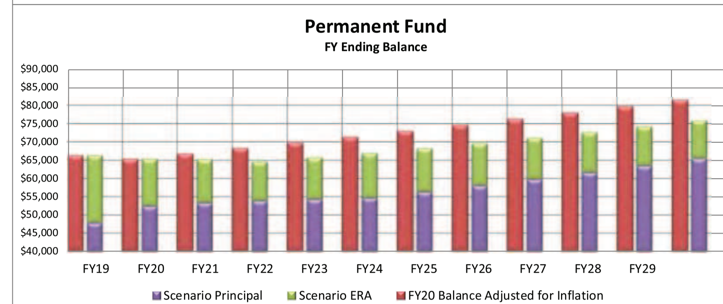


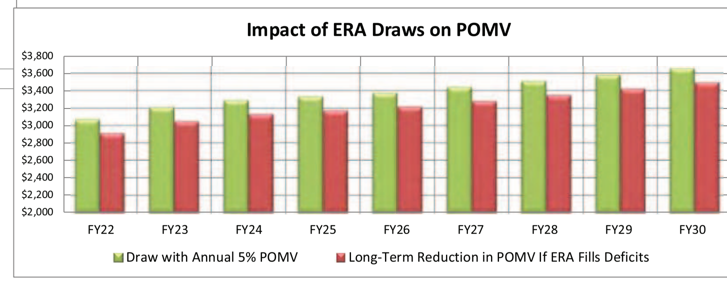


	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
ERA Bal.	11,912	10,694	11,479	12,288	11,933	11,622	11,335	11,059	10,774	10,476
Surplus/ (Deficit)	-2,119	-2,005	-231	24	29	-7	-44	-43	-3	-2
CBR/SBR Bal.	931	939	742	798	855	877	863	849	875	902
%Budget fr. Savings	32%	31%	4%	0%	0%	0%	1%	1%	0%	0%
Unplanned ERA Draw	1,225	1,967	0	0	0	0	0	0	0	0

Price Scenario	Fall Forecast	
Production	Fall Forecast	
COST VARIABLES		
Operating Budget		
Starting Point (FY22)	22 Gov	
Growth Rate	-2.6% FY23, -2.7% FY24, 1.5% FY25+	
Budget Change (FY22+)	$	(43.3)
Tax Credit Payments	None	
School Debt Reimbursement	50%	
Capital Budget (FY22-30)	FY22OMB10yrPlan	
Supp Budget (FY22+)	50.0	
REVENUE VARIABLES		
Sales Tax Type	N	
Sales Tax Rate	0%	
Income Tax	N	
Motor Fuel Tax	N	
Undefined New Revenue	**$1 Billion/yr, FY23+**	
Assumptions		
Inflation Rate	2.25%	
PF Investment Return	Callan (6.48% FY21 then 6.75%)	
% Realized	6.40%	
Population Growth Rate	Labor Stats	
CBR Earnings	2.25%	
Reserve Priority	CBR	
Minimum CBR Balance	$	-
Unplanned ERA Draws	Y	
Permanent Fund Plan	**Gov 50% of POMV**	
PLAN SPECIFICATIONS		
	Payout to GF	
POMV Payout	5.00%	
POMV Override	5.25%	
Override Ends	21	
	Dividend	
FY22 Override	Statutory	
% of Stat Net Income to Div	0%	
% of POMV Draw to Div	50%	
Dividend Floor	0%	
Floor Ends	0%	
% of Royalties to Div	0%	
Fixed Dividend	$	-
Repay Dividends	FY21 Only	
Balanced Budget Dividends	N	
POMV Deduction Before Div	None	
	Other Provisions	
New Royalties to PF	50%	
All Royalties to PF	N	







	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
POMV Draw	2,933	3,091	3,069	3,194	3,242	3,250	3,256	3,285	3,329	3,394	3,464
Inflation Proofing	4,758	-	-	-	-	1,079	1,111	1,144	1,178	1,213	1,250
Plan %	5.25%	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Effective %	4.4%	6.6%	7.7%	4.9%	4.9%	4.9%	4.8%	4.7%	4.7%	4.7%	4.7%

Scenario 2 - Governor's 10-Year Plan

Recap of 2020 Session and Overview of Governor's Supplemental Requests

The 2020 legislative session ended abruptly due to the coronavirus pandemic, forcing legislators to quickly wrap up work on the budget in March. As a result, the budget process diverged significantly from previous years.

Timeline of 2020 Budget Bills	
12/15/19	Governor's budget release
1/21/20	First day of session
2/26/20	House passes fast track supplemental bill (HB 234) without CBR access
3/2/20	Governor's first COVID-19 supplemental budget request
3/3/20	House passes operating (HB 205) and Mental Health (HB 206) budgets
3/11/20	Senate passes Mental Health (HB 206) budget with COVID-19 supplemental items, House concurs
3/18/20	Senate passes fast track supplemental (HB 234) with CBR access
3/23/20	Senate passes combined operating and capital budget (HB 205)
3/25/20	House concurs on fast track but CBR access fails
3/28/20	Conference Committee on HB 205 adopts budget bill; House and Senate pass bill with CBR access on 3/29

The FY20 budget process had also been unusual, with two rounds of appropriation bills and vetoes. That process was not wrapped up until the signing of SB 2002 and HB 2001 in August of 2019. In December 2019, the Governor submitted a fast track supplemental budget, HB 234, to fill emergent holes in the FY20 budget. The Governor's proposed fast track supplemental budget totaled $303.8 million UGF ($576.0 million all funds), covering items such as Medicaid and fire suppression. This exceeded the amount of UGF appropriations that could be made without a supermajority vote to access the CBR.

Without supermajority support for CBR access, the fast track bill languished in the Senate. On March 2nd, the Governor requested a supplemental appropriation for the State's response to the COVID-19 pandemic. Instead of attaching the items to the fast track, the legislature added them to the Mental Health budget bill, HB 206. The Mental Health bill is required by the terms of a legal settlement to contain only mental health items, but the Mental Health Trust agreed to waive this requirement to allow passage of this unique bill.

The House passed the operating budget on March 3rd, widely reported as the earliest in recent history. This allowed the Senate to act very quickly and pass its version of the operating budget on March 23rd, which again was historically early. The Senate followed an unusual, accelerated process: subcommittees met but did not close out and make official recommendations. Instead, subcommittees' informal recommendations were incorporated by the Senate Finance Committee. That committee also added most of the Governor's capital budget to the operating bill, making it an omnibus bill.

Not all of the Governor's proposed capital budget was incorporated into HB 205, however, as the legislature appeared to anticipate returning to session later in the year. LFD identified $172 million of projects ($34 million of which was funded with UGF) that were not added to the operating bill. These included routine items such as deferred maintenance and Fish and Game federal projects, as well as one-time requests such as technology upgrades for the Department of Administration.

Many of these "missing" capital projects are included in the Governor's FY21 fast track supplemental budget request. Others are incorporated into the Governor's FY22 request, which includes increased amounts for some projects. Several projects were also funded through the RPL process in August (see the "RPLs and Ratification Bill" section on the following page). See the Capital Budget Overview section of this publication for details on the status of the FY21 capital budget.

The Governor's FY21 fast track also includes operating items to adjust Technical Vocational Education Program Account funding to address a shortfall, replace lost revenue in the Alaska Vocational Technical Center, and to replace administrative funding in the Department of Education and Early Development that was previously funded through the School Bond Debt Reimbursement appropriation that the Governor vetoed. The largest item is an additional Permanent Fund Dividend payment of about $1.2 billion; combined with the $992 check send out earlier in the fiscal year, the total distribution in FY21 would match the statutory calculation.

RPLs and Ratification Bill

The day before the legislature passed the operating budget, March 27, 2020, President Trump signed the Coronavirus Aide, Relief, and Economic Security Act (known as the CARES Act). This legislation resulted in a large flow of federal money to the State of Alaska, which had not been accounted for the in preparation of the FY20 and FY21 budgets.

The CARES Act provided a $1.25 billion from the COVID-19 Relief Fund (CRF) for the State to spend on COVID-19 relief but allowed the State to determine how to deploy this funding. It also provided over $280 million for specific purposes, including stimulus payments for Alaska fisheries, education funding, rural and international airport funding, and more. In some cases, the legislature had appropriated sufficient receipt authority to spend the added federal money without immediately modifying the budget. The legislature had granted open-ended federal receipt authority to the Department of Health and Social Services' Public Health division, so the Governor directed $337.5 million to that division to be spent by State agencies for COVID-19 costs. In many other cases, however, there was not sufficient budgetary authority.

On May 1, the Governor proposed to distribute the federal funding using the Revised Program Legislative (RPL) process laid out in AS 37.07.080(h). This process allows for "the increase of an appropriation item based on additional federal or other program receipts" conditional on review by the Legislative Budget and Audit (LB&A) Committee. The Governor's proposed RPLs included $562.5 million of grants to local governments, $290.0 million for Small Business Relief grants, $100.0 million for Alaska fisheries, and $490.0 million for Statewide Aviation and the Rural Airport System.

The LB&A Committee approved these RPLs on May 11, but not before noting concerns raised by Legislative Legal Services that these items were outside the scope of the RPL process and were vulnerable to legal challenge. That legal challenge came just two days later, prompting the legislature to return to session on May 18. The legislature approved HB 313 on May 20, which ratified the previous RPLs as valid appropriations.

The RPL process has been used twice so far in FY21. In August, the LB&A committee approved a package of RPLs that primarily consisted of capital projects that had not been included in HB 205. In December, the LB&A Committee approved a package of miscellaneous non-CARES Act items. The Governor proposed three more RPLs in January 2021 covering items from the December 2020 federal stimulus bill.

Revenue Requirements of the State

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

UGF revenue projections are approximately $2.1 billion less than what is needed to balance revenue with proposed appropriations in the Governor's FY22 budget. 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 requires that the Governor's December 15 budget proposal must be balanced with sufficient anticipated revenue to meet appropriations. The Governor's 10-year plan includes new revenue beginning in FY23 ranging from $900 million to $1.2 billion per year but does not specify the source.

New Revenue Options

To introduce 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 following options are reflective of common practice in other states, and do not constitute a policy recommendation. Equity, economic impacts, efficiency, and other considerations are not presented here but should be addressed if the legislature chooses to explore revenue options.

Modify Existing Taxes

Oil and Gas Production Tax: Alaska's oil and gas production tax is projected to bring in $156.1 million in FY22. 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 Ballot Measure 1, which failed to pass in 2020.

Corporate Income Tax: The petroleum and non-petroleum corporate income taxes are projected to bring in a combined $5 million in FY22. This low amount (compared to $217.7 million in FY19) is due to economic conditions as well as provisions in the federal CARES Act which have allowed taxpayers to carryback losses against past tax liabilities. Alaska's 9.4% top marginal rate is the fourth highest in the US. 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 (DOR) estimates that taxing S-Corporations at the same rates as C-Corporations would raise $80 million in the first full year administered. Another potential change would be to decouple Alaska's tax code from the federal code, which would eliminate unanticipated shifts in revenue due to changes in federal tax law (such as the aforementioned CARES Act provision).

Other Resource Taxes: Alaska's Mining License Tax is estimated to bring in $43.3 million in FY22. The Fisheries Business and Fishery Resource Landing taxes are estimated to bring in $20.8 million in UGF revenue and an additional $24.2 million that is shared with municipal governments. National comparisons for these taxes are difficult.

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

- Tobacco taxes: Estimated FY22 revenue is $55.2 million, of which $37.9 million is UGF and $17.3 million is DGF. Alaska's cigarette tax of $2 per pack ranks 16th nationwide. The tax on other tobacco products is 75% of the wholesale price, which ranks 8th nationwide.
- Alcoholic beverage tax: $41.2 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: $34.7 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 $69.4 million.
- Marijuana taxes: $32.0 million, of which $8.0 million is UGF and $24.0 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. Eleven states currently permit and tax retail marijuana sales.

New Taxes

Income Tax

Income is taxed in 41 states, while two states exclusively tax dividends and interest. Alaska had an income tax from statehood until 1980, when it was repealed. Of these, 32 have progressive income taxes, and the remaining 9 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 the equivalent of about $600 million in 2020.

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.

DOR estimates an individual income tax levied at 10% of federal income tax liability would generate $350 million in the first full year administered. Using federal income tax liability would be consistent with Alaska's existing corporate income tax. However, most other states levy individual income taxes based on federal Adjusted Gross Income (AGI). LFD estimates an individual income tax based on 3% of AGI, with no exemptions or deductions, would generate $850 million in the first full year administered.

Sales Tax

Statewide sales taxes exist in 45 states, while four states have no state or local sales tax. Alaska is the only state that has no statewide sales tax but allows for the collection of local 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 2019, 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.

DOR estimates a broad-based 4% sales tax including all services and exempting only prescription drugs, medical equipment, and business-to-business purchases to resale, would generate $1.2 billion in the first full year administered. DOR estimates that a 4% sales tax styled on Wyoming's sales and use tax would generate $630 million in the first full year administered. This tax would exempt groceries, prescription medicine, medical equipment, and all business-to-business sales and services.

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, in addition to twenty-one cities (some of which are within boroughs). Some boroughs rely very heavily on property tax revenue, and Alaska's average property tax burden ranks 21st nationwide despite not being universally applied.

Alaska could impose a statewide property tax that excludes 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.

DOR estimates that a tax on all in-state property of 0.1% (10 mills) of assessed value would generate $117.5 million in the first full year administered.

Payroll Tax or Head Tax

Alaska had a $10 per worker "head tax" to pay for a portion of the education budget until its repeal in 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.

DOR estimates a $30 payroll tax on all resident and nonresident workers in Alaska would generate $13.5 million in the first full year administered. DOR estimated the initial implementation cost to be $11 million, with an additional $0.8 million in annual administration costs.

Multi-Agency Items: Rates, Consolidations, and Salary Adjustments

The Governor's budget contains several changes that affect multiple agencies. This section provides an overview of these items so that readers can see an explanation in a single place.

Central Service Agency Rate Adjustments

Central service agencies such as the Division of Personnel and Labor Relations (DOPLR) and the Office of Information Technology (OIT) provide services that support programs across State agencies. These agencies are funded by charging other programs for their services. These rates are based on relevant cost drivers; for example, DOPLR costs are driven by employees, so other programs are charged based on the number of employees.

These rates are often set after budgets have been approved by the legislature, which causes strain on agencies if their rates turn out to be higher than expected. This can cause agencies to make mid-year expenditure reductions to ensure they can pay their rates, which may cause them to provide a lower service level than the legislature expected in preparing their budgets.

The Office of Management and Budget (OMB) and these central service agencies are working to change the rate structure to provide rates in advance to make costs more predictable during the budget development process. This process will also change the rate structure to be simpler, basing more rates on easy-to-understand metrics like employee counts.

Locking in rates in advance poses some risk to the rate-setting agencies, however, if their rates do not generate sufficient revenue to meet their expenditures. The Governor's budget addresses this concern through adding appropriations (see Operating Language, Section 13) that allow OMB to transfer up to $5 million of lapsing general funds to cover unexpected shortfalls. $5 million represents about 3% of the total amount billed by these agencies.

There are several changes in agency budgets that are related to these changes. OMB will no longer charge agencies for its budget analysts, so it is no longer a central service agency (making it a more neutral party to distribute the lapsing funds). This shows up in the Office of the Governor's budget as a fund change (see the Office of the Governor section of this publication). The Governor's budget also reduces receipt authority for several central service agencies (OIT, DOPLR, and Accounting) so that their budgets are in line with anticipated revenue with the new rate structure (see the Department of Administration section of this publication). The Department of Corrections and the Department of Transportation and Public Facilities budgets also feature significant movement of funds within the agencies to match the new billing structures.

Administrative Consolidations and Reorganization

In the FY22 budget, the Governor continues the centralization process of many administrative functions begun under the previous governor. In FY22, procurement staff from all executive branch agencies will be consolidated into a new Office of Procurement and Property Management (OPPM) within the Department of Administration. 62 positions will be transferred into this new office from twelve agencies. This consolidation process is directed by Administrative Order 304, issued in February 2019. For more details on this new office, see the Department of Administration section of this publication.

The Statewide Contracting and Property allocation will no longer exist, and all remaining funding will be transferred to OPPM.

A separate reorganization effort continues in the Department of Transportation and Public Facilities' Division of Facilities Services. This division was established in FY19 to centralize facilities staff across agencies, covering State-owned buildings. In the FY22 budget, the Governor proposes transferring management of all State facilities from the Department of Administration to this division. This transfer includes lease management and facilities administration. For more details on the transfer, see the Department of Transportation and Public Facilities' section of this publication.

Salary Adjustments

The Governor's budget bill as submitted to the legislature consolidated contractual salary adjustments into a single statewide appropriation for each union. This structure is intended to clearly identify the fiscal impact of each change but poses some problems for the technical budget process.

The Governor's budget was written with the assumption that these salary adjustments will be moved to agency budgets. As drafted, it has negative fund sources in some allocations and Transfers in (TrIn transactions) and out (TrOut transactions) are often for amounts that include salary adjustments. Astute readers of budget reports on OMB's website may notice that totals slightly differ between reports, as some reports reflect the Governor's bill as written and others reflect the Governor's budget with the salary adjustments allocated to agencies. LFD's reports match the Governor's bill as transmitted, but additional minor adjustments by the legislature will be necessary to avoid negative appropriations.

The salary adjustments total $11.1 million, of which $6.1 million is UGF.

Operating Budget

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Language Sections of the Governor's FY22 Operating Budget

Deleted Sections: FY20 Supplemental Appropriations and FY21 Capital Appropriations (HB 205 Sections 11-19, 32)

Legislative Fiscal Analyst Comment: The Governor typically submits a separate bill requesting supplemental and capital appropriations. During the 2020 session, several supplemental and all capital appropriations were rolled into the operating bill.

The Governor's operating bill includes several FY21 supplemental requests. 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. 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, 2022.

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.

Sec. 5. ALASKA AEROSPACE CORPORATION. Federal receipts and other corporate receipts of the Alaska Aerospace Corporation received during the fiscal year ending June 30, 2022 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, 2022.

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 FY22, 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 FY22 Governor's budget.

Sec. 6. ALASKA HOUSING FINANCE CORPORATION. (a) The board of directors of the Alaska Housing Finance Corporation anticipates that $42,579,000 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, 2022.

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 FY19, FY20, and FY21 were $29.4, million, $39.0 million, and $45.6 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 $42.6 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, 2022, 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 FY22 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 $30.6 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, 2022, 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 $30.6 million. The Governor's request spends $13.2 million of the dividend for capital projects, leaving a $17.4 million appropriation to the general fund.

Legislative Fiscal Analyst Comment: The entire net dividend ($30.6 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, 2022, 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 FY22 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, 2022, 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, 2022, 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.

Deleted Subsection

The sum of $5,000,000 is appropriated from the general fund to the Alaska Housing Finance Corporation for the purpose of preventing homelessness caused by the novel coronavirus disease (COVID-19) public health disaster emergency for the fiscal year ending June 30, 2020.

Legislative Fiscal Analyst Comment: This general fund appropriation was vetoed, however, $10 million of Federal CARES Act funding was approved for this effort through RPL#04-2020-1059 by the LB&A Committee on May 11, 2020.

New Section

Sec. 7. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY. The board of directors of the Alaska Industrial Development and Export Authority anticipates the sum of $14,475,000, will be declared available under AS 44.88.088, for appropriation as the dividend for the fiscal year ending June 30, 2022, is appropriated from the unrestricted balance in the Alaska Industrial Development and Export Authority revolving fund (AS 44.88.060), the Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund (AS 44.88.660), and the Arctic infrastructure development fund (AS 44.88.810) to the general fund.

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, FY20, and FY21 were $12.3 million, $4.8 million, $10.3, and $14.5 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 actual FY22 AIDEA dividend approved by the AIDEA Board in December of 2020 was actually $17.305 million, which is 50 percent of the base year (FY20) statutory net income of $34.61 million.

Legislative Fiscal Analyst Recommendation: Adjust the estimate to match the dividend declared in December 2020.

Sec. 8. ALASKA PERMANENT FUND. (a) The amount required to be deposited under art. IX, sec. 15, Constitution of the State of Alaska, estimated to be $199,200,000, during the fiscal year ending June 30, 2022, is appropriated to the principal of the Alaska permanent fund in satisfaction of that requirement.

Subsection (a) 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.

(b) The amount necessary, when added to the appropriation made in (a) of this section, to satisfy the deposit described under AS 37.13.010(a)(2), estimated to be $41,400,000, during the fiscal year ending June 30, 2022, is appropriated from the general fund to the principal of the Alaska permanent fund.

Subsection (b) 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.

(c) The sum of $3,069,296,016 is appropriated from the earnings reserve account (AS 37.13.145) to the general fund for the fiscal year ending June 30, 2022.

The statutory 5 percent POMV payout is $3.1 billion in FY22, the entirety of which is appropriated to the general fund to fund state services. The Governor submitted a separate bill that appropriates an additional $2.0 billion from the ERA to the dividend fund for the payment of PFDs.

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

(d) The income earned during the fiscal year ending June 30, 2022, on revenue from the sources set out in AS 37.13.145(d), estimated to be $27,161,600, is appropriated to the Alaska capital income fund (AS 37.05.565).

Subsection (d) 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 Subsection: 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: The Governor does not include inflation proofing due to the additional $4 billion deposit in FY20, which included legislative intent language that the additional deposit be used to satisfy the inflation proofing statutory requirement for the next four fiscal years (covering the years FY21-24). The legislature appropriated inflation proofing in FY21, contradicting the earlier legislative intent, but the Governor vetoed this appropriation.

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, 2022.

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, 2022.

Subsection (b) appropriates funds from the Working Reserve Account to the Department of Administration (DOA) to pay leave cash-in, 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.

FY20 actual usage was $39.6 million, down slightly from prior years. DOA's projected need is $42.3 million for FY21 and FY22. If the projections are accurate, collections will be $2.7 million less than usage in FY21 and FY22.

However, the effect of COVID-19 on leave cash-in and unemployment insurance contributions in FY21 and FY22 are uncertain. In FY21, employees are taking less leave due to travel restrictions, resulting in an increase in leave cash-ins to meet contractually mandated leave requirements. The FY21 and FY22 working reserve rates are projected to remain at the FY20 rate of 3.91% but will be updated based on actual usage and collections.

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, 2022, 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-in, terminal leave, unemployment insurance contributions, workers compensation, and general liability claims.

Legislative Fiscal Analyst Comment: This section re-emphasizes the State's authority to transfer 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, 2022, 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.

Changes in employer and employee rates, along with cost containment initiatives, have increased the balance of the fund. The unrestricted net position of the fund on June 30, 2020 is $18.8 million, similar to 2019 and up from $11 million in 2018.

The Division of Retirement and Benefits' benefit consultant (Segal) indicates that there is sufficient funding for FY21. There are no proposed changes to employer rates for AlaskaCare in FY22, the fifth year of no increases, and well below state and national trends.

However, health care claims are extremely volatile and expected to increase in the next year or two. Deferred care because of the pandemic may result in more claims and higher cost claims due to more intense treatment for later stage disease. Existing reserve levels are anticipated to absorb the projected increases but ongoing analysis and monitoring is needed.

New Subsection

(e) The amount necessary to have an unobligated balance equal to the amount listed in AS 37.05.289 in the state insurance catastrophe reserve account, after the appropriations made in (b) - (d) of this section and sec. 13(a) of this Act, 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, 2022, to the state insurance catastrophe reserve account (AS 37.05.289(a)).

See comments in **section 9(a) and 9(f)** for additional information about the catastrophe reserve account and the related FY22 budget proposal.

Legislative Fiscal Analyst Comment: This section re-emphasizes the State's authority to transfer lapsing general fund balances to the Insurance Catastrophe Reserve Account described in AS 37.05.289.

This appropriation would allow the transfer, currently in statute to up to $5 million, from lapsing general fund appropriations to the Catastrophe Reserve Account in FY22, after the appropriations of lapsing general fund balances are transferred to the Working Reserve Account (up to $5 million), the Group Health Life Account (up to $10 million), and the Office of Management and Budget to central service agencies for central services cost allocation rate shortfalls (up to $5 million).

This is a new section, presumably related to the proposed change to self-insure property, to include losses due to earthquakes and floods. The proposal would require 1) a statute change to increase the amount of allowable unobligated balance held in the Catastrophe Reserve Account to up to $50 million (from $5 million), and 2) carry-forward language in the Risk Management section 1 appropriation. This language section is necessary for the legislation to take effect, but does no harm if the bill is not passed (as AS 37.05.289(c) currently caps the amount in the fund at $5 million).

To curb or bend the increasing trend in risk management costs, the Department conducted an analysis of claims and developed a 15-year average for anticipated claim costs. According to the property loss trend analysis the average claim losses are $28.1 million. Based on this analysis, the Department determined that self-insuring property instead of purchasing high excess coverage would result in a savings of $3 million or more, depending on annual losses. An analysis would also be done on self-insuring marine and aviation hull assets. The State has self-insured Workers Compensation and General Liability for more than 20 years.

Excess property insurance premiums are projected to be $6 million in FY22 and the department anticipates it can save $3.7 million annually (more in years with lower claims) by self-insuring property. Excess insurance in the property, marine, and aviation markets have seen a sharp increase in FY21; property insurance is estimated to increase between 25%-30% and another increase of 5%-10% in FY22. The department estimates it can reduce its overall budget, $40.7 million in FY21, by 10-15% by self-insuring additional property. The FY22 proposed budget is $37.8 million, which includes a $3 million proposed budget reduction from self-insuring property losses instead of purchasing high excess coverage limits. This numbers section reduction should be reversed by the legislature and made a fiscal note so that it is contingent on the bill's passage.

The proposal would be dependent on having a $50 million unobligated balance in the catastrophe reserve account from budget and premium savings and from transfers from lapsing general fund appropriations into the Catastrophe Reserve Account within two years. If that is not achieved excess property insurance would be purchased. Given that the Governor's budget also appropriates lapsing balances to central services agencies in **section 13** and Medicaid in section 14, there may not be enough lapsing funds to immediately achieve this goal.

New Subsection

(f) The amount necessary to have an unobligated balance equal to the amount listed in AS 37.05.289 in the state insurance catastrophe reserve account, after the appropriations made in sec. 24, ch. 8, SLA 2020 and sec. 13(b) of this Act, 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 state insurance catastrophe reserve account (AS 37.05.289(a)).

See comments in **section 9(a) and 9(e)** above.

Legislative Fiscal Analyst Comment This appropriation would allow the transfer, currently in statute to up to $5 million, from lapsing general fund appropriations to the Catastrophe Reserve

Account in FY21, after the appropriations of lapsing general fund balances are transferred to the Working Reserve Account (up to $5 million), the Group Health Life Account (up to $10 million), and the Office of Management and Budget to central service agencies for central services cost allocation rate shortfalls (up to $5 million).

(g) 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, 2022.

Subsection (g) appropriates general funds to pay for costs of retirement system benefit calculations that exceed the $250.5 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.

(h) 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, 2022.

Subsection (h) appropriates general funds in FY22 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, 2022, 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, 2022, 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, 2022.

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, 2022.

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 $10.7 million annually from FY10 through FY20. 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 through FY21, however, the FY21 federal calculation is still pending and the department anticipates a distribution amount by March 2021. The program is currently pending federal reauthorization for FY22 and is projecting the original distribution formula of $600,000 in the meantime.

Legislative Fiscal Analyst Recommendation: Retain **subsections (a) and (b)** despite the outlook for FY22. 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, 2022.

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.

Legislative Fiscal Analyst Comment: The Payment in Lieu of Taxes (PILT) program is subject to federal appropriation and reauthorization for FY22.

Legislative Fiscal Analyst Recommendation: Retain **subsection (c)** despite the outlook for FY22. If there is no program, the language does no harm; if the program is reauthorized, Alaska will be ready to distribute money to communities.

(d) The amount necessary for the purposes specified in AS 42.45.085(a), estimated to be $32,355,000, 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, 2022.

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, 2020, the endowment fund balance was $1.1 billion.

Funding: Total program cost is projected to be $32.4 million in FY22 (an increase of $2.5 million from FY21).

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

(e) 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, 2022.

Subsection (e) 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 17(c)** applies to the Department of Natural Resources.

New Subsection

(f) Section 21(i), ch. 1, FSSLA 2019, is amended to read:

(i) 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, June 30, 2023, June 30, 2024, and June 30, 2025.

Legislative Fiscal Analyst Comment: In response to the COVID-19 pandemic, the U.S. Department of Agriculture extended the FY20 federal award for the Market Access Program (MAP) to allow any unexpended funds to be spent in FY21. The unexpended funds in FY20 totaled $781,588. Additionally, ASMI anticipated two missions under the Cochran Fellowship Program in FY21 at an estimated cost of $60,000 each. RPL 08-2021-0278 was approved on December 10, 2020 by the Legislative Audit and Budget Committee to increase ASMI's federal receipts for FY21 in order to carryforward FY20 unexpended funds.

(g) The sum of $311,584 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, 2022.

Subsection (g) 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 23(c)**.

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

Deleted Subsection

Section 21(f), ch. 1, FSSLA 2019, is amended to read:

The amount necessary for the purposes specified in AS 42.45.085(a), estimated to be $29,700,000 [$32,355,000], 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, 2020.

Legislative Fiscal Analyst Comment: The Governor vetoed this supplemental appropriation, which would have reduced the estimated FY20 PCE program cost.

New Section

Sec. 11. DEPARTMENT OF CORRECTIONS. If federal receipts collected by the Department of Corrections through man-day billings in the fiscal year ending June 30, 2022, fall short of the amount appropriated to the Department of Corrections, population management, in sec. 1 of this Act, the general fund appropriation to the Department of Corrections, population management, shall be increased by the amount of the shortfall, estimated to be $0.

Legislative Fiscal Analyst Comment: This backstop language would allow the agency to access GF funding if the FY22 federal and municipal manday billings fall short. The Department anticipates an increase in manday billing receipts of approximately $3,500.0 in FY22, and proposed a $3,500.0 UGF decrement offset by an increase in Federal and GF/Prgm receipt authority for the federal and municipal manday billings.

The intent of this fund change with backstop is to fully utilize federal funds each year and only spend the amount of GF that is necessary. However, this structure may understate the true UGF need each year if the federal receipt authority exceeds average collections.

Legislative Fiscal Analyst Recommendation: The language as drafted does not limit the potential general fund liability; capping the general fund appropriation in this section would prevent large unexpected UGF costs. To ensure that the UGF amount in the budget is a true representation of the likely UGF expenditures, there are two options. One would be to add an estimate to this language that represents the likely cost in an average year. A second option would be to ensure that the amount of federal authority matches average expected revenue and to add carryforward language that would even out the costs across fiscal years.

Sec. 12. 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, 2022, estimated to be $550,000, 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, 2022.

Subsection (a) appropriates half of all donations made to the dividend raffle during FY22 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.

(b) The unexpended and unobligated balance of federal funds on June 30, 2021, 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, 2022.

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 previous practice of carrying this necessary authority in the numbers section 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. This language item was first enacted in FY21.

(c) The proceeds from the sale of state-owned land in Sitka by the Department of Education and Early Development are appropriated from the general fund to the Department of Education and Early Development, Mt. Edgecumbe boarding school, for maintenance and operations for the fiscal year ending June 30, 2022.

Subsection (c) appropriates proceeds from land sales owned by the Department of Education and Early Development to Mt. Edgecumbe boarding school for maintenance and operations. This language section was new in FY21.

Legislative Fiscal Analyst Comment: According to a memorandum from the Department of Law dated November 25, 2020, Southeast Alaska Regional Health Consortium (SEARHC) seeks to buy three parcels on Japonski Island owned by the Department of Education and Early Development (DEED). However, DEED's authority to transfer real property is limited by state statute AS 14.07.030(a)(6) which only allows the transfer of real property to federal or state agencies or political subdivisions.

Deleted Subsection

The sum of $30,000,000 is appropriated from the general fund to the Department of Education and Early Development to be distributed as grants to school districts according to the average daily membership for each district adjusted under AS 14.17.410(b)(1)(A) - (D) and according to the schedule of distribution of state aid under AS 14.17.610 for the fiscal year ending June 30, 2021.

Legislative Fiscal Analyst Comment In FY21, the legislature included this appropriation in the conference committee budget which was subsequently vetoed. A FY22 appropriation is not proposed by the Governor.

The Governor's stated reason for the veto was that insufficient funding exists to provide more than the statutory foundation formula amount and that federal Coronavirus Aid, Relief, and Economic Security (CARES) Act money would provide additional one-time funding. Districts received about $38.4 million from the federal CARES Act, but this funding was restricted to coronavirus-related expenditures.

The recently passed COVID-19 Economic Relief Bill allocates $159.1 million to Alaska through the Elementary and Secondary School Emergency Education Relief (ESSER) Fund and $4.1 million through the Governor's Emergency Education Relief (GEER) Fund. The ESSER II funds may be used for preventing, preparing for, and responding to COVID-19, and to address learning loss, preparing schools for reopening, testing, and projects to improve air quality in school buildings. GEER II funds may be used for emergency assistance grants to address significant impacts of the coronavirus. A Revised Program Legislative (RPL) was requested in advance of session for $168.1 million.

Deleted Section

DEPARTMENT OF FISH AND GAME. After the appropriation made in sec. 38(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.

Legislative Fiscal Analyst Comment: The Department completed payment on bonds for the construction of the William Jack Hernandez Sport Fish Hatchery in Anchorage, and the Ruth Burnett Sport Fish Hatchery in Fairbanks in 2020. These payments were funded with a $5 surcharge on Sport Fish licenses, authorized under AS 16.05.340(j) through the end of the calendar year in which the bonds were paid off. This also triggers the conclusion of $500.0 in surcharge proceeds that was designated to benefit anglers in Southeast Alaska by supporting sport fish enhancement activities by private non-profit hatcheries. This reduction will impact the Douglas Island Pink and Chum (DIPAC) Hatchery in Juneau, and the Crystal Lake Hatchery in Petersburg. In recent years, DIPAC received $300.0 of these funds, and Crystal Lake received $200.0.

Sec. 13. OFFICE OF THE GOVERNOR.

New Subsection

(a) After the appropriations made in sec. 9(b) - (d) of this Act, the unencumbered balance of any appropriation that is determined to be available for lapse at the end of the fiscal year ending June 30, 2022, not to exceed $5,000,000, is appropriated to the Office of the Governor, Office of Management and Budget, for distribution to central services agencies in the fiscal years ending June 30, 2022, and June 30, 2023, for costs not covered by receipts received from approved central services cost allocation rates.

Subsection (a) appropriates up to $5 million of lapsing appropriations made in FY22 to the Office of Management and Budget (OMB) for FY22 and FY23 and allows OMB to spread them to central services agencies to make up potential shortfalls in rate collections. The executive branch is switching to a system in which rates are set in advance, allowing for budget certainty for agencies but introducing revenue uncertainty to the rate-setting agencies. This appropriation provides backstop in case those collections fall short of what is needed.

New Subsection

(b) After the appropriations made in sec. 24, ch. 8, SLA 2020, 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, not to exceed $5,000,000, is appropriated to the Office of the Governor, Office of Management and Budget, for distribution to central services agencies in the fiscal years ending June 30, 2021, and June 30, 2022, for costs not covered by receipts received through approved central services cost allocation rates.

Subsection (b) makes a similar appropriation of lapsing balances from FY21 to cover fiscal years 21 and 22. For more details on this change, see the section of this publication entitled "Multi-Agency Items: Rates, Consolidations, and Salary Adjustments."

Funding: Executive branch agencies typically lapse $20-30 million of UGF per year. Other appropriations in section 9(b) - (d) of this act appropriate lapsing balances to the Working Reserve and the Group Health and Life Benefits Fund, up to $15 million combined (though the actual transfer is likely to be minimal) so it is likely that there will be sufficient lapsing balances to fund these appropriations.

(c) The sum of $1,966,000 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, 2022, and June 30, 2023.

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 FY22 will be available in FY23.

Sec. 14. DEPARTMENT OF HEALTH AND SOCIAL SERVICES. (a) Federal receipts received during the fiscal year ending June 30, 2022, for Medicaid services are appropriated to the Department of Health and Social Services, Medicaid services, for Medicaid services for the fiscal year ending June 30, 2022.

Subsection (a) provides open-ended federal receipt authority to the Medicaid program.

Legislative Fiscal Analyst Comment: Similar language was added to sec. 28, ch. 8, SLA 2020 specifically to allow the department flexibility with receiving federal funding related to the COVID-19 pandemic. The Families First Coronavirus Response Act amended by the Coronavirus Aid, Relief, and Economic Security (CARES) Act authorized a 6.2% percentage point increase in federal Medicaid matching funds to help states respond to the COVID-19 pandemic.

The department anticipates a potential need for this flexibility into FY22 should the enhanced Medicaid FMAP be extended beyond June 30, 2021, when it is currently set to expire. This FY22 open-ended authorization is also being requested for non-COVID-19 activities.

New Subsection

(b) The amount of federal receipts received from the Family First Transition Act during the fiscal year ending June 30, 2022, estimated to be $1,079,900, is appropriated to the Department of Health and Social Services, children's services, for activities associated with implementing the Families First Prevention Services Act, including developing plans of safe care prevention focused models for families of infants with prenatal substance exposure for the fiscal years ending June 30, 2022, June 30, 2023, and June 30, 2024.

Subsection (b) provides federal receipt authority, over three years, to stand up services being implemented through the Families First Prevention Services Act of 2018. Under the Families First Prevention Services Act, states, territories, and tribes with an approved Title IV-E plan have the option to use these funds for prevention services that would allow "candidates for foster care" to stay with their parents or relatives.

New Subsection

(c) The unexpended and unobligated balance of the general fund appropriation made in sec. 1, ch. 8, SLA 2020, page 20, line 24 (Department of Health and Social Services, Medicaid Services - $2,331,773,300), not to exceed $35,000,000, is reappropriated to the Department of Health and Social Services, Medicaid services, for Medicaid services for the fiscal years ending June 30, 2021, and June 30, 2022.

Subsection (c) allows the Department to carryforward general funds appropriated in FY21, up to $35 million, in order to offset any shortfalls experienced in FY22.

Legislative Fiscal Analyst Comment: Non-contingent carryforward appropriations crossing fiscal years make it difficult to provide a clear budget picture to the public and artificially lower the FY22 budget. The Governor is requesting a $35.1 million (UGF) reduction to the FY22 budget in **section 1**.

Legislative Fiscal Analyst Recommendation: To ensure that the UGF amount in the FY22 budget is a true representation of likely UGF expenditures, it may make more sense to wait until the FY23 budget cycle to implement **section 1** reductions that do not require backstop language which can distort reporting of actual program savings.

Deleted Subsection

The sum of $75,000,000 is appropriated from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) to the Department of Health and Social Services, division of

public health, public health emergency response programs, for the purpose of responding to the novel coronavirus disease (COVID-19) public health disaster emergency for the fiscal years ending June 30, 2020, and June 30, 2021.

> **Legislative Fiscal Analyst Comment:** In addition to open-ended federal receipt authority, the legislature appropriated UGF to provide additional flexibility to the department to handle uncertainties associated with COVID-19. The legislative intent was to fully utilize federal funds and only spend the amount of GF that is necessary. At the time of this publication, the $75 million UGF (FY20-FY21) appropriation remains unobligated while the administration continues to spend available federal funds prior to drawing down UGF.

Sec. 15. 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, 2022.

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 $779,600 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, 2022.

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, 2022.

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, 2022, 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, 2022.

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 $13,477,800 appropriation in **section 1** is expected to be sufficient.

(e) Federal receipts received during the fiscal year ending June 30, 2022, for unemployment insurance benefit payments or for the unemployment compensation fund (AS 23.20.130) are appropriated to the Department of Labor and Workforce Development, unemployment insurance allocation, for unemployment insurance benefit payments and associated administrative costs or for the unemployment compensation fund (AS 23.20.130) for the fiscal year ending June 30, 2022.

Legislative Fiscal Analyst Comment: Similar language was added to **section 29(e)**, ch. 8, SLA 2020 specifically to allow the department flexibility with receiving federal funding related to the COVID-19 pandemic. The department anticipates the need for this flexibility through FY22.

This language includes an appropriation to the unemployment compensation fund (AS 23.20.130). The unemployment compensation fund is a federal trust fund established and maintained by the U.S. Treasury. It is used to account for unemployment contributions from employers and unemployment benefits paid to eligible claimants.

(f) Federal receipts received during the fiscal year ending June 30, 2022, for employment and training services are appropriated to the Department of Labor and Workforce Development, employment and training services, for employment and training services and associated administrative costs for the fiscal year ending June 30, 2022.

Legislative Fiscal Analyst Comment: Similar language was added to **section 29(f)**, ch. 8, SLA 2020 specifically to allow the department flexibility with receiving federal funding related to the COVID-19 pandemic. The department anticipates the need for this flexibility through FY22.

Sec. 16. DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS. (a) 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, 2019, June 30, 2020, and June 30, 2021, 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, 2022.

Subsection (a) 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.

(b) The amount of the fees collected under AS 28.10.421(d) during the fiscal year ending June 30, 2022, for the issuance of special request license plates commemorating Alaska veterans, less the cost of issuing the license plates, estimated to be $7,800, is appropriated from the general fund to the Department of Military and Veterans' Affairs for maintenance, repair, replacement, enhancement, development, and construction of veterans' memorials for the fiscal year ending June 30, 2022.

Subsection (b) appropriates the proceeds of commemorative Alaska veterans license plates, minus the cost of the issuing them, to the Department of Military and Veterans' Affairs for maintenance, repair, replacement, enhancement, development, and construction of veterans' memorials. This language was added by the legislature in FY21 to utilize this license plate revenue for its intended purpose.

Sec. 17. DEPARTMENT OF NATURAL RESOURCES. (a) The interest earned during the fiscal year ending June 30, 2022, 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 year ending June 30, 2022.

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.

(b) The amount necessary for the purposes specified in AS 37.14.820 for the fiscal year ending June 30, 2022, 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, 2022.

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 23(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, 2022.

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(e)** 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, 2022, estimated to be $20,500,000, are appropriated to the Department of Natural Resources for fire suppression activities for the fiscal year ending June 30, 2022.

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.

New Subsection

(e) The unexpended and unobligated general fund balance in sec. 1, ch. 8, SLA 2020, page 27, lines 8 - 9, and allocated on line 24, on June 30, 2021, not to exceed $5,000,000, is reappropriated to the Department of Natural Resources, fire suppression preparedness, for costs related to fuel mitigation and fire break activities for the fiscal years ending June 30, 2021, and June 30, 2022.

Subsection (e) reappropriates potentially lapsing Fire Suppression Activity money from FY21 to fuel mitigation and fire break activity in FY21 and FY22.

Legislative Fiscal Analyst Comment: A $5 million UGF capital project was included in the FY21 budget for the same purpose. Rather than creating a separate multi-year operating appropriation, this item should add to that existing capital project.

Sec. 18. DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. The proceeds received from the sale of Alaska marine highway system assets during the fiscal year ending June 30, 2022, are appropriated to the Alaska marine highway system vessel replacement fund (AS 37.05.550).

Section 18 appropriates proceeds of any sale of Alaska Marine Highway system assets to the Alaska Marine Highway System (AMHS) Vessel Replacement Fund which was created by Chapter 145, SLA 1990 as a savings account to be used for AMHS vessel upgrades and replacement. Money in the fund cannot be spent without further appropriation.

Sec. 19. 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, 2022, is appropriated for that purpose for the fiscal year ending June 30, 2022, 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, 2022, is appropriated for that purpose for the fiscal year ending June 30, 2022, 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. 20. DEBT AND OTHER OBLIGATIONS.

New Subsection

(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, 2022, 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, 2022.

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. The legislature deleted similar language from the Governor's FY21 budget request.

Legislative Fiscal Analyst Comment: No notes are currently expected to be issued in FY22 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. RANS can only be used to fund a cash flow mismatch within a fiscal year. RANS cannot be used to fund a deficit.

(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, 2022.

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, 2022, 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, 2022, estimated to be $2,206,700, 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 $1,220,168 is appropriated from the general fund to the following agencies for the fiscal year ending June 30, 2022, for payment of debt service on outstanding debt authorized by AS 14.40.257, AS 29.60.700, and AS 42.45.065, respectively, for the following projects:

AGENCY AND PROJECT	APPROPRIATION AMOUNT
University of Alaska	**$1,220,168**
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: In the FY20 budget, the Governor vetoed the 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. The Governor has included the appropriation in his FY21 and FY22 budgets.

Deleted Subsection: Appropriations for Reimbursement of Debt Service

(2) Department of Transportation and Public Facilities

(A) Matanuska-Susitna Borough (deep water port and road upgrade)	**710,563**
(B) Aleutians East Borough/False Pass (small boat harbor)	**168,001**
(C) City of Valdez (harbor renovations)	**207,500**
(D) Aleutians East Borough/Akutan (small boat harbor)	**212,748**
(E) Fairbanks North Star Borough (Eielson AFB Schools, major maintenance and upgrades)	**337,674**
(F) City of Unalaska (Little South America (LSA) Harbor)	**366,695**
(3) Alaska Energy Authority Copper Valley Electric Association (cogeneration projects)	**351,180**

Legislative Fiscal Analyst Comment: In FY21, the legislature included an appropriation for reimbursement of these authorized projects in their conference committee budget which was subsequently vetoed. An amount for FY22 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, 2022, estimated to be $2,890,750, is appropriated from the general fund to the state bond committee for that purpose for the fiscal year ending June 30, 2022.

> **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 Linny Pacillo Parking Garage in Anchorage to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2022.

> **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, 2022:

> A total of $68.94 million general funds and $4.85 million federal funds are appropriated for debt service on general obligation bonds. For FY21, $77.15 million of state funding and $4.849 million of federal receipts were budgeted.

(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 was implemented subsequent to the bonds issuance and reduced the federal reimbursement rates on the Series A and Series B bonds, reducing the effective subsidy to near 32.5% and 93%, respectively.

Deleted Subsection

(Previously subsection 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;**

(5) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2012A, estimated to be $7,406,950, 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.

(6) 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;

(7) 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 (6) of this subsection, estimated to be $33,181, from the general fund for that purpose;

(8) 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;

(9) 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 (8) 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%.

(10) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2015B, estimated to be $12,085,000, from the general fund for that purpose;

Subsection 10 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.

(11) the sum of $1,815 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;

(12) 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 (11) of this subsection, estimated to be $10,717,810, from the general fund for that purpose;

(13) the sum of $12,600, 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;

(14) 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 (13) of this subsection, estimated to be $10,497,275, 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) from 2013 through mid-2016 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 final $110.35 million of authorization was provided by the issuance of the 2020A general obligation bonds in the par amount of $84.6 million which along with original issue premium of $26.2 million provided for the project fund deposit and retained compensation for the underwriter's discount.

New Subsection

(15) the sum of $49,247 from the investment earnings on the bond proceeds deposited in the capital project funds for the series 2020A general obligation bonds, for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2020A;

(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 $7,176,878, from the general fund for that purpose;

Legislative Fiscal Analyst Comment: The remaining balance of $110.35 million of funding for the 2012 Transportation General Obligation Bond Act was funded on August 5, 2020 through the issuance of the 2020A bond issuance.

(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, 2022:

(1) the amount necessary for debt service on outstanding international airports revenue bonds, estimated to be $5,200,000, 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 $405,267, 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 $24,323,727, 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 2021 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, 2022, 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 $16,169,663, is appropriated from the general fund to the Department of Administration for thmat purpose for the fiscal year ending June 30, 2022.

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 would result in a downgrade of the state's credit rating. Because of the impact on credit rating, the obligation is categorized as "subject to appropriation" debt.

Deleted Subsection

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.

Legislative Fiscal Analyst Comment: With the final payment of the bond made in the 2020 calendar year, this language is no longer necessary.

(m) The sum of $41,771,980, is appropriated to the Department of Education and Early Development for the fiscal year ending June 30, 2022, for state aid for costs of school construction under AS 14.11.100 from the following sources:

(1) $29,301,500 from the school fund (AS 43.50.140);

(2) the amount necessary, after the appropriation made in (1) of this subsection, estimated to be $12,470,480, from the general fund.

Subsection (m) 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 2020 Revenue Sources Book, FY22 cigarette tax collections (School Fund) are projected at $15.1 million, down from $15.7 million (projected) in FY21. As cigarette tax revenues decrease, the general fund portion of school debt reimbursement increases.

Legislative Fiscal Analyst Comment: Full reimbursement of municipal debt requires $83.5 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.

Sec. 21. 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 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, 2022, 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). Receipts received under this subsection during the fiscal year ending June 30, 2022, do not include the balance of a state fund on June 30, 2021.

Section 21 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, 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: Initial federal Coronavirus relief legislation was passed in March of 2020: Coronavirus Preparedness and Response Supplemental Appropriations Act (passed March 5, 2020), Families First Coronavirus Response Act (passed March 18, 2020), and the Coronavirus Aid, Relief, and Economic Security (CARES) Act (passed March 27, 2020). On March 29th, Alaska's legislature expeditiously passed an operating/supplemental/capital budget and recessed due to the pandemic.

Since the additional federal CARES Act revenue became available after the legislature recessed, the additional federal authority was approved through the RPL process under AS 37.07.080 (h) and ratified by the legislature through passage and enactment into law of ch. 32, SLA 2020 (HB 313). Subsequently, the federal government passed the Consolidated Appropriations Act, 2021 (passed December 27, 2020) into law which included an additional Pandemic Relief Package. The Office of Management and Budget has submitted additional requests based on these increases in federal funding.

(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, 2022, 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, 2022, 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.

(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, 2021, 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 FY21 to be carried forward into FY22.

Legislative Fiscal Analyst Comment: This section may not be needed since SDPR is limited by the terms of the contractual agreement and cannot lapse to the general fund, but it does no harm.

Sec. 22. FUND CAPITALIZATION. (a) The portions of the fees listed in this subsection that are collected during the fiscal year ending June 30, 2022, estimated to be $14,000, 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, 2022, less

the amount of those program receipts appropriated to the Department of Administration, division of motor vehicles, for the fiscal year ending June 30, 2022, 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.

(c) The amount of federal receipts received for disaster relief during the fiscal year ending June 30, 2022, 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: An annual $9 million estimate for federal receipts for disaster relief has been used for many years.

Legislative Fiscal Analyst Comment: The department of Military and Veterans' Affairs anticipates around $25 million in expenditures from the fund for costs associated with the 2018 Cook Inlet Earthquake and desires $5 million in the fund to rapidly respond to future disasters. The current unobligated balance of the fund is $6.3 million as of January 2021.

New Subsection

(d) The unexpended and unobligated balance on June 30, 2021, of the appropriation made in sec. 28(b), ch. 8, SLA 2020, not to exceed $30,000,000, is reappropriated to the disaster relief fund (AS 26.23.300).

Subsection (d) reappropriates up to $30 million to the disaster relief fund from a $75 million UGF appropriation made to the Department of Health and Social Services for COVID-19 relief. Due to federal funds made available to the State in the federal CARES Act, little of this funding has been spent as of January 2021.

Legislative Fiscal Analyst Comment: Subsection (d) is contingent upon a super-majority three quarters vote as it would repurpose CBR direct code 1001 funding. The Governor's budget does not include this provision in the CBR language in **section 28** of the bill. It would need to be added to that language for this reappropriation to take effect.

New Subsection

(e) If the total amount appropriated in (d) of this section for the disaster relief fund is less than $30,000,000, the amount necessary to appropriate $30,000,000 to the disaster relief fund (AS 26.23.300), estimated to be $0, is appropriated from the general fund to the disaster relief fund (AS 26.23.300).

> **Legislative Fiscal Analyst Comment:** Since the Governor's budget as drafted does not include CBR access language necessary for the appropriation in section (d) to take effect, this contingency would be triggered. LFD's reports depict this subsection as a $30 million UGF supplemental appropriation. While HB 205 did not include CBR headroom language for future supplemental appropriations, direct appropriations from the CBR in FY21 exceed the estimated deficit by $160.9 million, so this appropriation could take effect as long as revenue matches the Fall forecast.

(f) Twenty-five percent of the donations received under AS 43.23.230(b), estimated to be $275,000, is appropriated to the dividend raffle fund (AS 43.23.230(a)).

Subsection (f) 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.

(g) 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, 2021, estimated to be $0, is appropriated to the Alaska municipal bond bank authority reserve fund (AS 44.85.270(a)).

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

(h) 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 (h) 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.

(i) The amount available for distribution under AS 42.45.085(a) in the power cost equalization endowment fund (AS 42.45.070(a)), less the appropriations made in secs. 1 and 10(d) of this Act,

estimated to be $12,394,777, is appropriated from the power cost equalization endowment fund (AS 42.45.070(a)) to the community assistance fund (AS 29.60.850).

Subsection (i) capitalizes the Community Assistance Fund with Power Cost Equalization Endowment (PCE) funds in FY22, allowing a FY23 payout of about $19.4 million (roughly enough to cover the base payments but not per capita payments).

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.

FY20 earnings were $48.3 million, making $12.4 million available for the Community Assistance fund in FY22. The Governor's budget includes this amount as a capitalization of the Community Assistance Fund. However, AS 29.60.850 provides that the total capitalization of the fund can be the greater of $30 million or the amount needed to reach a fund balance of $90 million. In FY22, that would require an additional $17.4 million UGF (for a $30 million deposit) or $30.8 million UGF (for a fund balance of $90 million).

The Governor's budget also proposes a fund change within the Alaska Energy Authority Rural Energy Assistance appropriation of $847.3 from UGF to PCE funds. See the Department of Commerce, Community, and Economic Development's Summary of Budget Changes for additional details. The Governor's budget also increases management fees charged to the fund by the Department of Revenue by $632.6. See the Department of Revenue's Summary of Budget Changes for additional details on that change. These two items may reduce future amounts available from the PCE Fund to the Community Assistance Program because administrative expenses are deducted in the calculation of available earnings.

(j) The amount necessary to fund the total amount for the fiscal year ending June 30, 2022, of state aid calculated under the public school funding formula under AS 14.17.410(b), estimated to be $1,193,475,200, is appropriated to the public education fund (AS 14.17.300) from the following sources:

(1) $31,166,700 from the public school trust fund (AS 37.14.110(a));

(2) the amount necessary, after the appropriation made in (1) of this subsection, estimated to be $1,162,308,500, from the general fund.

(k) The amount necessary to fund transportation of students under AS 14.09.010 for the fiscal year ending June 30, 2022, estimated to be $71,435,893, is appropriated from the general fund to the public education fund (AS 14.17.300).

Subsections (j) and (k) capitalize the Public Education Fund with the amount necessary for the K-12 Foundation and Pupil Transportation formula in FY22.

Legislative Fiscal Analyst Comment: The FY21 and FY22 amounts in the Governor's budget are based on draft student counts and are estimates which will change when the student counts are finalized. The public school funding program is fully funded in both FY21 and FY22.

The budgeted numbers represent pre-pandemic projections and have not been updated to reflect the actual student count. The pandemic has significantly changed traditional education delivery and the number of students attending classes in person and through correspondence schools. A "hold harmless" provision for districts with a five percent or greater reduction in average daily membership (ADM) counts, adjusted for school size, phase in the impacts of reduced student counts over three years. This provision applies to the count of non-correspondence students. In some districts, many students switched from traditional school enrollment to correspondence school. This can result in districts seeing higher total funding because they trigger the hold harmless provision but also receive additional correspondence funding. As a result, in FY21 some districts will see increased funding over the original projection and others will see decreases. Actual funding to districts appears to be up overall by about $25 million despite an overall reduced student count.

Additional federal stimulus funding will be available to school districts but the full budget impacts are uncertain at the time of this publication. The FY22 projection is based on projections by school districts and reflect uncertainty about the status of in-school learning in FY22. The projection indicates decreased funding from FY21, but the actual funding will not be determined until the October 2021 student count.

(*l*) The sum of $17,119,000 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 (*l*) appropriates $17.1 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 proposes a $17.1 million appropriation for FY22, which is 50 percent of the statutory formula. The amount necessary to fully capitalize the REAA fund in FY22 is $34.2 million. The Governor fully vetoed the $35.7 million appropriation to capitalize the REAA fund in FY21, and vetoed 50% ($19.7 million) of the $39.4 million appropriation in FY19. 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 20(m))**.

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 FY17, FY20, and FY21, the REAA amount was lowered by the same percentage, in the same year, rather than waiting two years to reduce the REAA percentage.

(m) 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, 2022, 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 (m) 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.

(n) 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, 2022, 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)).

(o) 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, 2022, 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)).

(p) 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, 2022, less the amount expended for administering the loan fund and other eligible activities, estimated to be $7,097,590, is appropriated from federal receipts to the Alaska drinking water fund (AS 46.03.036(a)).

(q) 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, 2022, estimated to be $2,202,200, is appropriated from Alaska drinking water fund revenue bond receipts to the Alaska drinking water fund (AS 46.03.036(a)).

Subsections (n), (o), (p), and (q) 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.

(r) 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, 2022, is appropriated to the crime victim compensation fund (AS 18.67.162).

Subsection (r) 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.

(s) The sum of $937,100 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 (s) 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.

Deleted Subsection

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.

Legislative Fiscal Analyst Comment: The Department completed payment on bonds for the construction of the William Jack Hernandez Sport Fish Hatchery in Anchorage, and the Ruth Burnett Sport Fish Hatchery in Fairbanks in 2020. These payments were funded with a $5 surcharge on Sport Fish licenses, authorized under AS 16.05.340(j) through the end of the calendar year in which the bonds were paid off. This also triggers the conclusion of $500.0 in surcharge proceeds that was designated to benefit anglers in Southeast Alaska by supporting sport fish enhancement activities by private non-profit hatcheries. This reduction will impact the Douglas Island Pink and Chum (DIPAC) Hatchery in Juneau, and the Crystal Lake Hatchery in Petersburg. In recent years, DIPAC received $300.0 of these funds, and Crystal Lake received $200.0.

Deleted Subsection

After the appropriations made in sec. 27 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.

Legislative Fiscal Analyst Comment: With the final payment of the bond made in the 2020 calendar year, this language is no longer necessary.

Deleted Subsection

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.

Legislative Fiscal Analyst Comment: With the final payment of the bond made in the 2020 calendar year, this language is no longer necessary.

(t) An amount equal to the interest earned on amounts in the election fund required by the federal Help America Vote Act, estimated to be $70,000, is appropriated to the election fund for use in accordance with 52 U.S.C. 21004(b)(2).

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

(u) The amount of statutory designated program receipts received by the Alaska Gasline Development Corporation for the fiscal year ending June 30, 2022, not to exceed $50,000,000, is appropriated to the Alaska liquefied natural gas project fund (AS 31.25.110).

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

Legislative Fiscal Analyst Comment: Similar language was included in FY21 in the amount of $20 million. Money appropriated to the fund does not lapse and may be spent with no further appropriation.

New Subsection

(v) The amount of federal receipts received by the Alaska Gasline Development Corporation for the fiscal year ending June 30, 2022, is appropriated to the Alaska liquefied natural gas project fund (AS 31.25.110).

Legislative Fiscal Analyst Comment: AGDC is requesting federal stimulus funds through the 8-Star Project to construct a natural gas pipeline from the North Slope – Prudhoe Bay and Pt. Thompson – to Fairbanks with first gas delivered in 2025. The project is in the initial phase of the fully permitted Alaska Liquified Natural Gas (LNG) Project.

(w) The vaccine assessment program receipts collected under AS 18.09.220 during the fiscal year ending June 30, 2022, estimated to be $15,000,000, are appropriated to the vaccine assessment fund (AS 18.09.230).

Subsection (w) appropriates Vaccine Assessment Program Receipts, estimated to be $15 million, to the Vaccine Assessment Account.

Legislative Fiscal Analyst Comment: 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.

New Subsection

(x) The amount equal to 15 percent of all revenue from taxes levied by AS 43.55.011 that is not required to be deposited in the constitutional budget reserve fund (art. IX, sec. 17(a), Constitution of the State of Alaska) estimated to be $60,000,000, is appropriated from the receipts of the Alaska Industrial Development and Export Authority (AS 44.88) to the oil and gas tax credit fund (AS 43.55.028).

Subsection (x) appropriates the minimum amount allowed by statute to purchase tax credits. The statutory formula in AS 43.55.028(c) states that 15% of Alaska North Slope (ANS) production taxes be deposited in oil and gas tax credit fund when forecasted ANS prices are below $60 per barrel. The rate decreases to 10% when ANS prices are above $60 per barrel.

Funding: the Governor requests the use of AIDEA receipts for this item. There is no statutory link between this item and AIDEA.

Legislative Fiscal Analyst Comment: No funds were appropriated for the purchase of tax credits in FY20 or FY21, in anticipation of the tax credit bonding program. HB 331, passed in 2018, would have allow the state to purchase all outstanding credits at once, using proceeds from a bond program. On September 4, 2020, the Alaska Supreme Court ruled the program unconstitutional. Approximately $726 million in cashable tax credits remain outstanding.

Legislative Fiscal Analyst Recommendation: AIDEA Receipts is an inappropriate fund source for this item. This item should be paid for with UGF. If the legislature wants to transfer funds out of AIDEA, those funds should go directly to the general fund. This proposal hides the true size of the budget.

Deleted Subsection

The sum of $100,000 is appropriated from general fund program receipts collected by the Department of Administration, division of motor vehicles, to the abandoned motor vehicle fund (AS 28.11.110) for the purpose of removing abandoned vehicles from highways, vehicular ways or areas, and public property.

Legislative Fiscal Analyst Comment: The legislature added this appropriation in FY21 but it was vetoed by the Governor.

Deleted Subsection

The sum of $5,000,000 is appropriated from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) to the disaster relief fund (AS 26.23.300(a)).

> **Legislative Fiscal Analyst Comment:** This was a $5 million FY20 supplemental appropriation for the COVID-19 disaster. An additional $30 million is being requested as a FY21 supplemental appropriation - $25 million for the 2018 Cook Inlet earthquake and $5 million to have available for rapid response after a future disaster is declared.

Sec. 23. 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 endowment fund (AS 42.45.070(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, 2022, 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 Student Loan Corporation set the origination fee at 0 percent for FY21 and has no plans to introduce a fee in FY22. 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, 2020, estimated to be $311,584, 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(g) 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, 2021, estimated to be $1,200,000, not otherwise appropriated by this Act;

(2) the amount collected for the fiscal year ending June 30, 2021, estimated to be $6,560,000, 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, 2021, estimated to be $6,100,000, 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, 2021, estimated to be $700,000, not otherwise appropriated by this Act; and

(2) the amount collected for the fiscal year ending June 30, 2021, from the surcharge levied under AS 43.55.201, estimated to be $1,640,000.

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. The fund is not expected to exceed $50 million in FY22.

(f) The unexpended and unobligated balance on June 30, 2021, 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, 2021, estimated to be $800,000, 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 $868,600 of Clean Water funds and $444,900 of Drinking Water funds in FY22. At the end of FY21, the balance of the Clean Water Administrative Fee Account is expected to be $5.5 million and an anticipated balance of $5.4 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, 2022, 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, 2022, estimated to be $1,057,500, 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 hunter, 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 $425,000.

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

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.

(j) The amount necessary for the purposes specified in AS 37.14.820 for the fiscal year ending June 30, 2022, 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 17(b)).**

(k) Twenty-five percent of the donations received under AS 43.23.230(b), estimated to be $275,000, 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, 2022, estimated to be $5,300,000, is appropriated to the Alaska capital income fund (AS 37.05.565).

Subsection (*l*) appropriates the balance, estimated to be $5.3 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.

Deleted Subsection

The sum of $4,457,500 is appropriated to the Alaska marine highway system fund (AS 19.65.060(a)) from the following sources:

(1) the sum of $2,843,600 from the capstone avionics revolving loan fund (AS 44.33.655);

(2) the sum of $1,613,900 from the investment loss trust fund (AS 37.14.300(a)).

Add comment – possibly add a comment that in section 9 of the Fast Track Supp, $1.47m ILTF is appropriated to DOL for Statehood Defense.

Legislative Fiscal Analyst Comment: The Capstone Avionics Revolving Loan Fund was repealed July 2, 2020. The unexpended and unobligated balance of the Investment Loss Trust Fund, estimated to be $1.47 million, is appropriated to the Department of Law for Statehood Defense in sec. 9 of the Governor's fast track supplemental bill.

Deleted Subsection

The unobligated balance upon discharge of all bond obligations in the Alaska fish and game revenue bond redemption fund (AS 37.15.770) is appropriated to the Alaska sport fishing enterprise account (AS 16.05.130(e)) in the fish and game fund (AS 16.05.100).

Legislative Fiscal Analyst Comment: With the final payment of the bond made in the 2020 calendar year, this language is no longer necessary.

Deleted Section

LEGISLATIVE COUNCIL. The sum of $2,500,000 is appropriated from the general fund to the Legislative Council for the Redistricting Board for operations for the fiscal years ending June 30, 2021, and June 30, 2022.

This multi-year appropriation is expected to be sufficient for Redistricting Board operations, barring extended legal challenges.

Sec. 24. RETIREMENT SYSTEM FUNDING. (a) The sum of $193,494,000 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, 2022.

Subsection (a) provides $193,494,000 as an additional state contribution to the Public Employees' Retirement System (PERS).

(b) The sum of $142,665,000 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, 2022.

Subsection (b) provides $142,665,000 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 FY22, the Alaska Retirement Management Board (ARMB) set the PERS and TRS rates at 30.11% and 31.85%. So in effect, the State is paying the difference between the actuarial rate and the statutory cap (8.11% for PERS (AS 39.35.280) and 19.29% for TRS (AS 14.25.085)). The additional cost as a result of paying the amount over the capped rate amounts is $193.5 million and $142.7 million for PERS and TRS respectively.

The June 30, 2019, actuarial valuation has the PERS funded ratio at 77.8% and the TRS ratio at 85.2%. 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). An updated report will be available in May, 2021.

The 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 6.0%, which was less than the actuarial 7.38% expected rate return.

(c) The sum of $4,185,000 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, 2022.

Subsection (c) provides $4,185,000 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, 2020, actuarial recommendation.

(d) The sum of $1,640,800 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, 2022.

Subsection (d) provides $1,640,8000 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, 2022.

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. 25. 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, 2022, 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) Inlandboatmen's Union of the Pacific, Alaska Region, representing the unlicensed marine unit;

(6) Alaska Vocational Technical Center Teachers' Association, National Education Association, representing the employees of the Alaska Vocational Technical Center.

(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, 2022, 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, 2022, of the following collective bargaining agreements:

(1) United Academic - 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;

(4) Fairbanks Firefighters Union, IAFF Local 1324.

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. 26. 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 2020, estimated to be $6,965,000, 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, 2022, to qualified regional associations operating within a region designated under AS 16.10.375.

> **Funding:** These "pass-through" amounts, estimated to be $7 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 2020, estimated to be $3,482,000, 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, 2022, 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 $3.5 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, 2021, estimated to be $478,000, 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, 2022, 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 $478,000, 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, 2022:

FISCAL YEAR	**ESTIMATED**	
REVENUE SOURCE	**COLLECTED**	**AMOUNT**
Fisheries business tax (AS 43.75)	**2021**	**$17,741,000**
Fishery resource landing tax (AS 43.77)	**2021**	**6,491,000**
Electric and telephone cooperative tax (AS 10.25.570)	**2022**	**4,208,000**
Liquor license fee (AS 04.11)	**2022**	**789,000**
Cost recovery fisheries (AS 16.10.455)	**2022**	**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 $29.2 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 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, 2022, estimated to be $134,000, 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 $134,000, 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 2021 according to AS 43.52.230(b), estimated to be $10,713,000, 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, 2022.

Subsection (f) appropriates $10.7 million of Commercial Vessel Passenger "Head" Tax receipts to the first seven ports of call. This is based on DOR's forecast of a 50% capacity cruise ship season in calendar year 2021.

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: Funding is collected on a fiscal year basis but is shared with local governments on a calendar year basis. The legislature has made additional appropriations out of the fund to utilize the state share of revenue and include proration language to the municipal shares to ensure that the balance does not go negative.

This did not pose any problems until COVID-19 caused the cancellation of the 2020 cruise ship season (except a single voyage). In FY20, the operating budget directed calendar year 2018 revenue to local governments, paid out of FY20 revenue. This disbursement was made in February of 2020 and paid out the total amount of $21.2 million. This actually over-expended the fund and caused it to be negative at the time, but anticipated revenue in the second half of FY20 should have made up the difference. The legislature then appropriated an additional $4 million out of the fund as an FY20 supplemental, further reducing the fund balance. The legislature anticipated that the pause in cruise ship voyages due to the pandemic would result in reduced revenue but did not anticipate the degree. No voyages occurred in the rest of FY20, leaving the fund with a negative fund balance at the end of the year.

In FY21, the appropriation out of the fund will be prorated to zero because no funding is available. The revenue forecast anticipated $5 million of revenue to the fund in FY21, but this may be optimistic given recent cancellations of sailings.

Legislative Fiscal Analyst Recommendation: Given the negative balance in the fund, the legislature should either backfill the fund with other sources or change the fund source of past appropriations. Once audited FY20 numbers are available, the legislature can determine the degree to which the fund is negative.

(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 2021 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-though 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.

New Subsection

(h) Section 43(f), ch. 8, SLA 2020, is amended to read:

(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 <u>2020</u> [2019] according to AS 43.52.230(b), estimated to be <u>$27,153</u> [$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.

New Subsection

(i) Section 43(g), ch. 8, SLA 2020, is amended to read:

(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 <u>2020</u> [2019] 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.

The FY21 budget mistakenly appropriated 2019 port revenue instead of 2020 port revenue. In most years this would be a minor mistake, but the cancellation of the entire calendar year 2020 cruise season (with the exception of a single voyage) makes the difference very substantial. **Subsections (h) and (i)** are supplemental items that correct the error and ensure that the correct amount flows out in FY21.

Legislative Fiscal Analyst Comment: See the comment in **subsection (f)**. Currently, the balance of the fund is negative so this appropriation would be prorated to zero.

(j) The amount of federal receipts received for the reinsurance program under AS 21.55 during the fiscal year ending June 30, 2022, 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, 2022, and June 30, 2023.

Legislative Fiscal Analyst Recommendation: This language was inadvertently placed in the Shared Taxes and Fees section and should be moved to **section 10** within the Department of Commerce, Community, and Economic Development.

Sec. 27. RATIFICATION OF SMALL AMOUNTS IN STATE ACCOUNTING SYSTEM. The appropriation to each department under this Act for the fiscal year ending June 30, 2022, 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 27 allows departments to use money appropriated for FY22 to clean up small negative account balances (or ratifications) from prior fiscal years. This section removes the need for minuscule ratifications.

Sec. 28. CONSTITUTIONAL BUDGET RESERVE FUND. (a) Deposits in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for fiscal year 2021 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 2022 is insufficient to cover the general fund appropriations that take effect in fiscal year 2022, the amount necessary to balance revenue and general fund appropriations, after the appropriations made in sec. 9 of this Act, is appropriated to the general fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

Subsection (b) provides for filling the budget deficit in FY22 with the CBR.

(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 (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. In some years, there is also an allowance for a capped amount of supplementals (often referred to as "headroom"). This language does not cap supplemental appropriations that could come out of the CBR.

The language in section (b) references the reappropriations of lapsing balances made in Section 9 for unknown reasons. This appears to be a drafting error and is meant to reference section 8, which deposits the POMV draw in the general fund.

Deleted Subsection

The unrestricted interest earned on investment of general fund balances for the fiscal year ending June 30, 2021, is appropriated to the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska). The appropriation made in this subsection is intended to compensate the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for any lost earnings caused by use of the fund's balance to permit expenditure of operating and capital appropriations made in the fiscal year ending June 30, 2021, in anticipation of receiving unrestricted general fund revenue.

This section appropriated general funds to the CBR to compensate it for foregone revenue due to short-term borrowing from the fund.

Legislative Fiscal Analyst Comment: This language is not necessary when the general fund has a liability to the CBR, as all unobligated general fund money is swept to the CBR regardless of the presence of this appropriation.

Sec. 29. LAPSE OF APPROPRIATIONS. The appropriations made in secs. 6(c), 7, 8, 9(c) - (f), 20(c) and (d), 22, 23, and 24(a) - (c) of this Act are for the capitalization of funds and do not lapse.

Section 29 ensures that money deposited into various funds will not lapse at the end of FY20.

Sec. 30. RETROACTIVITY. The appropriations made in sec. 1 of this Act that appropriate either the unexpended and unobligated balance of specific fiscal year 2021 program receipts or the unexpended and unobligated balance on June 30, 2021, of a specified account are retroactive to June 30, 2021, solely for the purpose of carrying forward a prior fiscal year balance.

Section 30 is standard language to ensure that revenue attached to appropriations or allocations with carryforward language does not lapse at the end of FY21.

Sec. 31. Section 30 of this Act takes effect immediately under AS 01.10.070(c).

Sec. 32. Sections 9(f), 13(b), 14(c), 22(d) and (e), and 26(h) and (i) of this Act take effect June 30, 2021.

Sec. 33. Except as provided in secs. 31 and 32 of this Act, this Act takes effect July 1, 2021.

Deleted Section from HB206 (Mental Health Bill)

DEPARTMENT OF HEALTH AND SOCIAL SERVICES. (a) The amount of federal receipts received during the fiscal year ending June 30, 2020, for response and mitigation of COVID 19, estimated to be $9,000,000, is appropriated to the Department of Health and Social Services, division of public health, emergency programs, for responding to and mitigating the risk of a COVID 19 outbreak in the state for the fiscal years ending June 30, 2020, and June 30, 2021.

(b) If the amount necessary to cover the cost of responding to and mitigating the risk of a COVID 19 outbreak in the state exceeds the amount appropriated in (a) of this section for that purpose, the additional amount necessary for responding to and mitigating the risk of a COVID 19 outbreak in the state, not to exceed $4,091,100, is appropriated from the general fund to the Department of Health and Social Services, division of public health, emergency programs, for the fiscal years ending June 30, 2020, and June 30, 2021.

This section provides open-ended federal receipt authority for COVID-19 response and mitigation for FY20 and FY21.

Legislative Fiscal Analyst Comment: OMB has indicated the Governor will request this language be included in the FY22 budget in the Governor’s amended budget.

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Capital Budget

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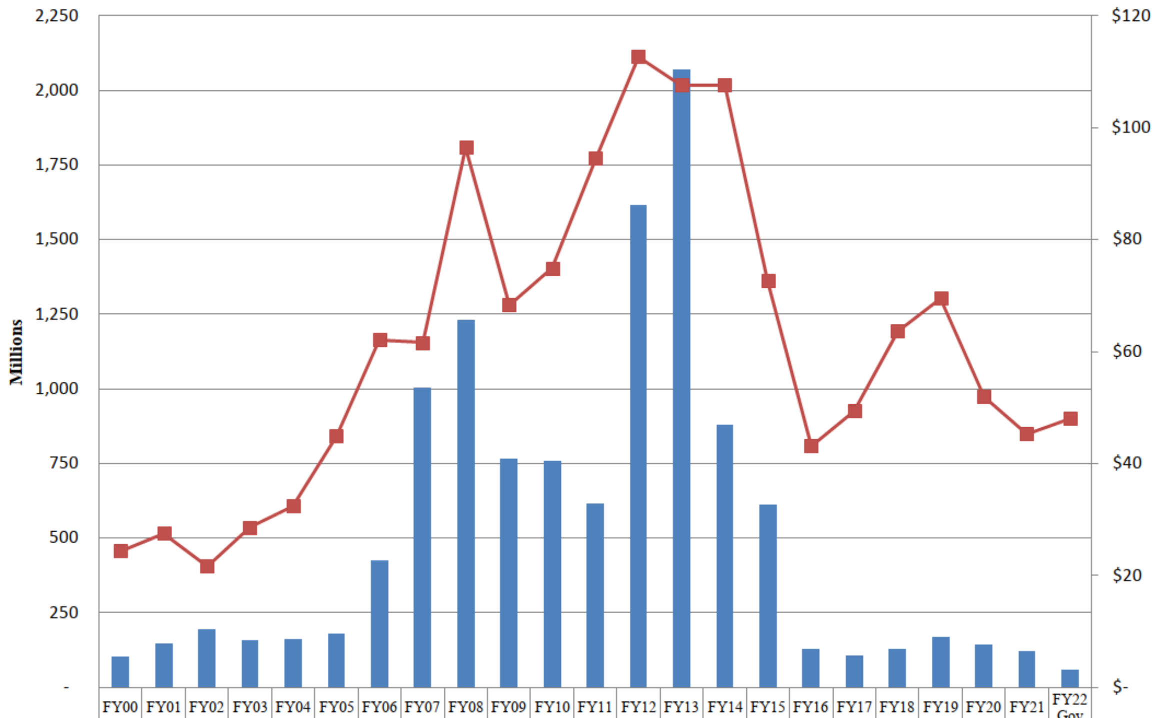
Capital Budget Overview

The Governor’s FY22 capital budget submission totals $58.5 million of unrestricted general funds (UGF). This is comparable to capital budgets from FY16-FY21, which averaged $123 million (including supplementals). The graph below shows the relationship between oil prices and capital appropriations.

UGF Capital Budget vs ANS Average $/bbl



	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22 Gov
UGF Capital Budget	104	147	193	157	162	180	427	1,00	1,23	765	758	615	1,61	2,07	880	611	130	107	130	168	144	120	59
ANS Average $/bbl	$24	$28	$22	$29	$32	$45	$62	$62	$97	$68	$75	$94	$113	$108	$108	$73	$43	$49	$64	$69	$52	$45	$48

Note - ANS Average $/bbl for FY21/22 are from the DOR 2020 Fall Forecast.

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 FY21 budget reappropriated $15.4 million of past UGF balances to federal highway match and other projects. The Governor’s proposed FY22 budget reappropriates $16.5 million to the Alaska Capital Income Fund in FY21.

The Governor's FY22 Capital Budget

The FY16-FY21 capital budgets have primarily included projects that leveraged other money. The Governor's FY22 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
Community and Economic Dev	410.0	15,600.0	-	61,100.0	77,110.0
Corrections	3,000.0	-	-	-	3,000.0
Environmental Conservation	-	-	24,030.0	52,250.0	76,280.0
Fish and Game	1,000.0	500.0	4,665.0	31,600.0	37,765.0
Governor	-	49,250.0	-	-	49,250.0
Health & Social Services	1,541.8	1,650.0	500.0	3,600.8	7,292.6
Military and Veterans' Affairs	11,125.0	-	-	14,425.0	25,550.0
Natural Resources	2,952.7	820.0	700.0	22,400.0	26,872.7
Public Safety	3,173.6	-	-	1,100.0	4,273.6
Revenue	13,200.0	1,500.0	1,650.0	16,950.0	33,300.0
Transportation & Facilities	19,843.3	1,000.0	144,722.0	955,200.0	1,120,765.3
Judiciary	2,300.0	-	-	-	2,300.0
TOTAL	**58,546.4**	**70,320.0**	**176,267.0**	**1,158,625.8**	**1,463,759.2**

Major items in the Governor's capital budget include:

1. **Federal Program Match**
2. **Deferred Maintenance**
3. **Addressing Unfunded FY21 Capital Projects**
4. **AHFC Bonding Package and G.O. Bonds**

1. Federal Program Match

$7.5 million (12%) of the UGF in the Governor's capital budget is used to match federal funding totaling $1.16 billion. The remaining $101.6 million match is covered through the Governor's proposed bond package (discussed more in Item 4). The major federal match projects are:

- Federal-Aid Highway Match (Department of Transportation and Public Facilities) – $71.2 million in AHFC Statewide Bonding to match $680 million of federal funds;
- Federal-Aid Aviation State Match (Department of Transportation and Public Facilities) – $14.7 million in AHFC Statewide Bonding to match $190 million of federal funds; and
- Village Safe Water and Wastewater Infrastructure Projects (Department of Environmental Conservation) – $15.7 million in AHFC Statewide Bonding, and $0.5 million in Statutory Designated Program Receipts 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 (ACIF) 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.

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%
Facilities	*38.1*	*2.0%*	*5.9%*
Highways	*222.1*	*11.6%*	*34.3%*
Aviation	*57.6*	*3.0%*	*8.9%*
Harbors	*18.7*	*1.0%*	*2.9%*
Marine Highways	*4.7*	*0.2%*	*0.7%*
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 FY22 capital budget spends $49.3 million on deferred maintenance. No deferred maintenance funding was appropriated in FY21 and the Governor proposes a total of $13.3 million in FY21 supplemental spending. $7.4 million of this supplemental and the FY22 appropriations would be paid for out of the ACIF. Additionally, the Governor proposes another $5.9 million in Public Building Fund Deferred Maintenance, Renovation, Repair and Equipment paid for out of the Public Building Fund as a FY21 supplemental item.

A portion of the Amerada Hess oil pricing settlement is managed as a "fenced off" portion of Permanent Fund principal valued at approximately $425 million. Earnings from that principle are deposited into the ACIF. That fund was over-appropriated in FY20 due to investment returns that underperformed expectations. There were no appropriations made from the fund in FY21 leaving a balance of around $23 million in the fund before the proposed $7.4 million supplemental.

The Governor is proposing capitalizing the ACIF in two additional ways. First through a reappropriation of $16.5 million in FY21, of which $9.5m comes from the Constitutional Budget Reserve (CBR). Reappropriation of that CBR funding from its original purpose requires a three quarters super majority vote of the legislature.

Second, the Governor proposes fund capitalization in FY22 through appropriation of $5.3 million in Large Passenger Vessel Gaming and Gambling tax. Projections of available gambling tax revenue in FY22 may be overly optimistic given the impacts of COVID-19 on cruise ship sailings. If all these appropriations do happen, and at the amounts estimated, there will be a million dollar deficit in the ACIF in FY22. Given the questions around these fund capitalizations the deficit in the fund will most likely be substantially higher.

While the proposed $49 million is certainly an increase over the last few years it is well below the "1% rule." For comparison, general best practice maintenance should cost at least one percent of the property value per year. The State has over 2,400 facilities with a total value around $9.7 billion. Basic maintenance on those buildings would be around $97 million a year just to avoid a growing deferred maintenance backlog.

Legislative Fiscal Analyst Comment: The Governor's budget reappropriates $16.5 million from lapsing projects (other fund source) into the ACIF (a DGF fund source). This is appropriated in the Department of Transportation and Public Facilities Capital budget and as a fund capitalization is better reflected in a Capital Fund Capitalization section. Other issues include the use of lapsing G.O. Bond funding (which comes with legal restrictions and traditionally has only been used to pay down the bond debt). There is one project lapsing $3.8 million in ACIF back into the fund, which should be automatic and not require a reappropriation. Additionally, $9.5 million in lapsing funding comes from the CBR. In order to reappropriate that CBR funding from its original purpose the legislature would require a three quarters super majority vote of the body.

The Governor's budget does not include specific funding for the University of Alaska's deferred maintenance backlog, which makes up the vast majority (66%) 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. Deferred maintenance funding has been an area that the University has also had to reduce as the legislature has reduced its UGF operating support of the University. In FY20, the Governor vetoed a $2.5 million capital 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 2019, the total funding need for necessary upgrades was about $570 million. School district deferred maintenance is funded through the Major Maintenance Grant Fund. The FY22 list includes $187 million of projects submitted by districts.

3. Addressing Unfunded FY21 Capital Projects

As mentioned in the introduction, a number of Governor's proposed FY21 capital projects, including those with federal funding, went unfunded due to the lack of a Capital budget. They totaled $172 million made up of the following fund sources:

UGF: $34,259.3

DGF: $45.271.2
Other: $23,722.0
Fed: $68,756.8
Total: $172,009.3

The Governor addressed this budget hole in three ways:

1) Through the Revised Program Legislative (RPL) process through the Legislative Budget and Audit Committee. Under AS 37.07.080(h) the committee was limited to only addressing Federal and Other funding sources, but approved the following projects that did not require UGF match:

    Fairbanks PM2.5 Nonattainment Area Voluntary Heating Device Change Out
    Pacific Coastal Salmon Recovery
    Critical Minerals Mapping
    Federal and Local Government Funded Forest Resource and Fire Program
    Geological Mapping for Energy Development
    National Historical Preservation
    Marine Fisheries Patrol Improvements

This addressed the following shortfall amounts by fund source.
Other: $300.0
Fed: $29,867.3
Total: $30,167.3

This reduced the amount of unfunded Governor's project to $139.2 million.

2) The Governor proposed an FY21 fast-track supplemental bill including the following projects:

    Retirement System Server Replacement
    Blood Bank of Alaska
    Facilities, Vessels and Aircraft Maintenance, Repair and Upgrades
    Sport Fish Recreational Boating and Angler Access
    Wildlife Management, Research, and Hunting Access
    Statewide Deferred Maintenance, Renovation, and Repair
    Bethel Readiness Center Security Upgrades
    Bethel Readiness Center Water System Sustainment
    Kotzebue Readiness Center HVAC Life-Cycle Replacement
    Statewide Roof, Envelope, and Fall Protection
    PARKS Land and Water Conservation Fund Federal Grant Program
    Geological Materials Center Multi Spectral Scanning Equipment
    Decommissioning and Remediation of Class V Injection Wells
    Court Security Improvements
    Courts Statewide Deferred Maintenance

This addressed the following shortfall amounts by fund source.
UGF: $5,016.1
DGF: $9,525.0
Other: $9,576.4
Fed: $14,545.0
Total: $38,664.7

This reduced the unfunded project total down to $103.1 million.

3) The Governor proposed funding some projects in the FY22 budget to make up for their absence in FY21. This included:

Alaska Energy Authority- Bulk Fuel Upgrades
Alaska Travel Industry Association
Facility Body Scanners
Clean Water Capitalization Grant subsidy (FY22 amount was doubled)
Drinking Water Capitalization Grant subsidy (FY22 amount was doubled)
Endangered Species Act- Legal and Research Needs to Protect State Right to Manage
Copper River Boat Launch
Agriculture Block Grant
State Park Electronic Fee Station
Crime Laboratory Equipment Replacement

This addressed the following shortfall amounts by fund source.
UGF: $2,800.0
DGF: $10,720.0
Other: $4,065.0
Fed: $15,000.0
Total: $32,585.0

This reduced the unfunded project total down to $53.7 million. Some of the projects addressed in earlier steps are funded at different levels than originally proposed by the governor. $53.7 million is the total amount originally requested by the Governor for the remaining unfunded projects. The remaining unfunded projects are:

Automated Performance Evaluations and Onboarding System Setup
Electronic Timekeeping*
Software for the Shared Services Initiatives*
Service Management System *
Alaska Energy Authority - Electrical Emergencies Program
Alaska Railroad: Seward Dock Replacement
Alaska Travel Industry Association***
Pitka's Point K-12 Site Restoration

Develop Application to Meet EPA eReporting Rule
Facilities, Vessels and Aircraft Maintenance, Repair, and Upgrades
Agriculture Grant Programs Funding
Arctic Strategic Transportation and Resources (ASTAR) - Phase 2
Cooperative Water Resource Program Pass-through to USGS***
EVOS Kenai River Bookey Parcel Purchase
Land Sales - New Subdivision Development***
Exxon Valdez Oil Spill (EVOS) Parks Habitat Restoration and Protection
Alaska Wildlife Troopers Marine Enforcement Repair and Replacement
Joe Parent Vocational Education Center Demolition and Clean-up
Municipal Harbor Facility Grant Fund Projects
UAF USArray Earthquake Monitoring Network**

**At least some portion of a number of Department of Administration projects were subsequently funded using CARES Act funding through the Coronavirus Relief Fund (CRF) for their Pandemic Preparedness Plan.*

*** The USArray project was funded through U.S. Geological Survey (USGS) grant and other federal funding.*

**** This ongoing program is funded in FY22, but the FY21 amount is not included.*

4. AHFC bonding package and G.O. Bonds

The Governor has proposed a $101.6 million Alaska Housing Finance Corporation (AHFC) Statewide bonding package. This would leverage AHFC credit rating to sell bonds and pay for the servicing of that debt through AHFC revenue that would otherwise go into the General Fund as an AHFC divided. This AHFC bond funding is being exclusively used for federal program matching (see Item 1). As of this publication, the Governor's office has not yet shared any estimates on debt service costs. These costs are not factored into the Governor's 10-year plan projections.

The Governor has also proposed a $300-350 million General Obligation (G.O.) Bond package when he released his budget.

"To put Alaskans to work, I am proposing the first statewide bond proposal in nearly 10 years. This $300-350 million package would fund roads to resources, renewable energy projects, ports, harbors, runways, bridges and other essential projects. I will work with the Legislature and take this to a vote of the people this spring. Projects mean jobs now, and critical infrastructure for all Alaskans."

-Governor Mike Dunleavy

December 11, 2020

No other detail has been provided at this time beyond the press release above. This includes any specific projects, or the eventual debt service cost to the state. Again, this was not factored into the Governor's 10-year plan projections. As noted in earlier sections there are no shortage of already identified projects that could be included such as those in the Village Safe Water program list and Major Maintenance Grant Fund for school district projects.

The Governor’s bond proposal would be paid for using the State’s general obligation pledge for payment. While the costs of issuing bonds are at historic lows, the state’s credit rating has diminished over the last few years due to fiscal uncertainty. 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. All authorized bonds are not typically sold at the same time because IRS rules (for tax exempt status) require complete expenditure of bond proceeds within three years of bond issuance. Bonds are issued in specific series as cash is needed for projects. The State has issued G.O. bonds over 50 times since statehood, the last being approved by voters in 2012. The interest cost of G.O. Bond issues is determined by many factors. The largest being the general interest rates in the economy; however the state’s credit rating and the perception of the State’s general credit worthiness are also important.

As recently as July 2020, Moody’s credit agency gave the State of Alaska G.O. Bond issuance a negative outlook which “reflects the risk of deterioration of financial metrics or governance practices particularly if political paralysis impedes policymakers from agreeing on effective approaches to the state's key credit challenges.”

Current General Obligation Bond Ratings

- Moody's Investors Service: Aa3
- Fitch Ratings: A+
- S&P Global Ratings: AA-

Other Items of Note

- For the second year in a row the budget does not include funding for School Construction or Major Maintenance. The Governor’s yet-unreleased proposed G.O. Bond package may address some of the projects.

  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 Governor vetoed all of the REAA appropriation in FY21 and the Governor’s FY22 budget proposal only funds $17.1 million (half of the statutory calculation) for the REAA fund deposit. There may be insufficient funding available from this source alone.

- The Governor uses some unconventional fund sources for the following projects:
  - $5.5 million for bulk fuel purchases coming out of the Power Cost Equalization fund.
  - $4 million for prosecutor recruitment and housing coming out of the Higher Education Endowment fund.

  Legislative Fiscal Analyst Comment: Both of these fund sources are Designated General Fund (DGF) and these are not designated uses of these funds.

Language Sections of the Governor's FY22 Capital Budget

Sec. 7. 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, 2022, 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 7 provides appropriation of any of the listed receipts that are collected in FY22 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 FY22 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…"

Initial federal Coronavirus relief legislation was passed in March of 2020: Coronavirus Preparedness and Response Supplemental Appropriations Act (passed March 5, 2020), Families First Coronavirus Response Act (passed March 18, 2020), and the Coronavirus Aid, Relief, and Economic Security (CARES) Act (passed March 27, 2020). On March 29th, Alaska's legislature expeditiously passed an operating/supplemental/capital budget and recessed due to the pandemic.

Since the additional federal CARES Act revenue became available after the legislature recessed, the additional federal authority was approved through the RPL process under AS 37.07.080 (h) and ratified by the legislature through passage and enactment into law of ch. 32, SLA 2020 (HB 313) Subsequently, the federal government passed the Consolidated Appropriations Act, 2021 (passed December 27, 2020) into law which included an additional Pandemic Relief Package. The Office of Management and Budget has submitted additional requests based on these increases in federal funding.

> **Legislative Fiscal Analyst Recommendation:** The legislature included additional language in this section in FY21 that was carried forward in the corresponding Governor's proposed operating budget in FY22, but was not included in this Capital budget section. The following sentence should be added to the end of this language to match what is included in the Operating bill.
>
> "Receipts received under the subsection during the fiscal year ending June 30, 2022, do not include the balance of a state fund on June 30, 2021."

Sec. 8. 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 8 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.

> **Legislative Fiscal Analyst Comment:** This appropriation language was not included in any appropriation bill in SLA2020 due to the failure of a FY21 capital budget to pass prior to the conclusion of the 31st legislature. The Governor included FY21 language as part of his proposed "fast track" supplemental.

Sec. 9. 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(*l*) or former 42 U.S.C. 6508 by June 30, 2021, estimated to be $9,100,000, 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 9 appropriates the entire amount received (estimated to be $9.1 million for FY22) 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 2020 Revenue Sources Book, which is $10.8 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. 10. DEPARTMENT OF TRANSPORTATION. (a) The unexpended and unobligated balances, estimated to be a total of $16,542,766, of the following appropriations are reappropriated to the Alaska capital income fund (AS 37.05.565):

(1) sec. 1, ch. 82, SLA 2006, page 85, lines 22 - 24 (Department of Transportation and Public Facilities, facilities deferred maintenance and critical repairs - $2,000,000) estimated balance of $610;

(2) sec. 10, ch. 29, SLA 2008, page 76, line 8, and allocated on page 76, lines 31 - 32 (Department of Transportation and Public Facilities, general obligation bonds, highway deferred maintenance - $3,000,000) estimated to be $1,756;

(3) sec. 1, ch. 43, SLA 2010, page 3, lines 23 - 25 (Department of Transportation and Public Facilities, Chignik Lagoon - airport safety improvements - $1,800,000) estimated to be $80,039;

(4) sec. 7, ch. 43, SLA 2010, page 37, line 11, and allocated on page 37, lines 15 - 17 (Department of Transportation and Public Facilities, highways and facilities, central region signal malfunction management units - $22,000) estimated to be $337;

(5) sec. 7, ch. 43, SLA 2010, page 37, line 11, and allocated on page 37, lines 21 - 24 (Department of Transportation and Public Facilities, highways and facilities, Manley Hot Springs shop/snow removal equipment building (SREB) - $900,000) estimated to be $2,817;

(6) sec. 1, ch. 5, FSSLA 2011, Page 117, line 14, and allocated on page 117, lines 24 - 26 (Department of Transportation and Public Facilities, deferred maintenance, statewide facilities deferred maintenance - $3,100,000) estimated to be $683;

(7) sec. 10, ch. 43, SLA 2010, page 73, lines 5 - 8, as amended by sec. 35(f), ch. 5, FSSLA 2011 (Department of Transportation and Public Facilities, Anchorage, Johns Road reconstruction - Klatt Road to High View Drive) estimated to be $408,230;

(8) sec. 13, ch. 29, SLA 2008, page 109, lines 10 - 13, as amended by sec. 35(g), ch. 5, FSSLA 2011 (Department of Transportation and Public Facilities, Anchorage, Johns Road upgrade/reconstruction (RTP) - Klatt Road to High View Drive) estimated to be $3,944;

(9) sec. 1, ch. 17, SLA 2012, page 132, lines 12 - 15 (Department of Transportation and Public Facilities, Anchorage - Johns Road and Klatt Road intersection design and build - $4,000,000) estimated to be $2,458,625;

(10) sec. 1, ch. 17, SLA 2012, page 133, lines 16 - 17 (Department of Transportation and Public Facilities, project acceleration account - $4,500,000) estimated to be $24,144;

(11) sec. 1, ch. 17, SLA 2012, page 150, lines 19 - 21, and allocated on page 150, lines 29 - 30 (Department of Transportation and Public Facilities, deferred maintenance, renewal, repair and equipment, highway deferred maintenance - $16,900,000) estimated to be $104;

(12) sec. 1, ch. 16, SLA 2013, page 78, line 32, and allocated on page 79, lines 13 - 14 (Department of Transportation and Public Facilities, asset management, emergency and non-routine repairs - $1,000,000) estimated to be $1,314;

(13) sec. 1, ch. 16, SLA 2013, page 96, lines 27 - 29, and allocated on page 97, lines 6 - 7 (Department of Transportation and Public Facilities, deferred maintenance, renewal, repair and equipment, highways deferred maintenance - $15,735,700) estimated to be $3,573;

(14) sec. 1, ch. 16, SLA 2013, page 97, lines 8 - 10 (Department of Transportation and Public Facilities, deferred maintenance, renewal, repair and equipment, statewide facilities deferred maintenance - $2,866,400) estimated to be $1,358;

(15) sec. 1, ch. 18, SLA 2014, page 77, lines 25 - 26, and allocated on page 78, lines 5 - 6 (Department of Transportation and Public Facilities, deferred maintenance, renewal, repair and equipment, highways deferred maintenance - $16,000,000) estimated to be $26,906;

(16) sec. 1, ch. 18, SLA 2014, page 77, lines 25 - 26, and allocated on page 78, lines 7 - 9 (Department of Transportation and Public Facilities, deferred maintenance, renewal, repair and equipment, statewide facilities deferred maintenance - $3,000,000) estimated to be $5,910;

(17) sec. 30(7), ch. 159, SLA 2004, as amended by sec. 35(f), ch. 18, SLA 2014 (Department of Transportation and Public Facilities, statewide anti-icing program) estimated to be $11,630;

(18) sec. 31(a), ch. 3, FSSLA 2005 (Department of Transportation and Public Facilities, construction of the Chandalar maintenance station - $3,375,000), sec. 33(b), ch. 29, SLA 2008 (Department of Transportation and Public Facilities, Richardson Highway, Shaw Creek Bridge project), sec. 1, ch. 43, SLA 2010, page 3, line 26, and allocated on page 3, lines 29 - 30 (Department of Transportation and Public Facilities, highways and facilities, Ester weigh station scale replacement - $550,000), sec. 1, ch. 43, SLA 2010, page 5, line 9, and allocated on page 5, lines 15 - 17 (Department of Transportation and Public Facilities, emergency repairs, Glenn Highway MP 63.5 erosion emergency repairs - $1,125,000), and sec. 1, ch. 43, SLA 2010, page 5, line 9, and allocated on page 5, lines 18 - 20 (Department of Transportation and Public Facilities, emergency repairs, Glenn Highway slides and MP 101 and 115 emergency repairs - $225,000), as amended by sec. 35(g), ch. 18, SLA 2014, estimated to be $218,910;

(19) sec. 1, ch. 38, SLA 2015, page 7, lines 6 - 7 (Department of Transportation and Public Facilities, deferred maintenance, renewal, repair and equipment - $5,000,000) estimated to be $1,361;

(20) sec. 4, ch. 30, SLA 2007, page 104, lines 22 - 25 (Department of Transportation and Public Facilities, Anchorage: Dowling Road extension/upgrade - Minnesota Drive to Abbott Loop Road - $22,000,000) estimated to be $3,790,515;

(21) sec. 1, ch. 1, SSSLA 2019, page 6, line 23, and allocated on page 6, lines 24 - 25 (Department of Transportation and Public Facilities, federal program match, federal-aid aviation state match - $12,000,000) estimated to be $9,500,000.

Subsection 10 (a) reappropriates past capital money for the Alaska Capital Income Fund. Items **(1)-(19)** reappropriate a total of $3.3 million UGF. Item **(20)** reappropriates $3.8 million in Alaska Capital Income Fund. Item **(21)** reappropriates $9.5 million in Constitutional Budget Reserve Funding.

Legislative Fiscal Analyst Comment: This section is reappropriating capital project funding and moving it from Capital projects with limited scope into the Capital Income Fund which is a designated fund source limited to preventive and deferred maintenance of state facilities. Prior to FY19, money in the fund could be spent for any public purpose, including to cover annual debt service and reserves for debt service on bonds authorized by state law.

The small amounts of many of these reappropriations make this exercise particularly inefficient. The reappropriation of general obligation bonds funding is also potentially problematic. The small amount in question **($1,756)** may make it legally *de minimis,* but there are legal restrictions on how G.O. bond proceeds can be spent and they are traditionally only used for the project approved by voters, or to pay down the bond debt incurred.

The typical mechanism for lapsing project funds is to let them lapse back into the general fund upon completion of the project, but it has recently been the practice of the Division of Finance not to lapse any project funding unless directed to do so through reappropriation by the legislature.

Item (20) reappropriates $3.8m in Alaska Capital Income Funding back into the same fund. This is unnecessary and inefficient as the funding will lapse directly to the ACIF when the project terms. The executive branch can administratively lapse completed projects per AS 37.25.020, so an appropriation should not be necessary.

Item (21) reappropriates $9.5 million in Constitutional Budget Reserve (CBR) funding that was appropriated directly for federal- aid aviation match. In order to spend CBR funding on another purpose the legislature must achieve another three-quarter’s supermajority vote. To be valid, a reference to this reappropriation would need to be added to the CBR language in Section 28 of the operating bill.

Legislative Fiscal Analyst Recommendation: Completed projects with small balances less than $5,000 should be administratively lapsed back to the originating fund rather than requiring reappropriation through a costly and time-consuming process. This reappropriation is to a fund and would be more accurately reflected in a fund capitalization section rather than a DOT section of the bill.

(b) The unexpended and unobligated balances, estimated to be a total of $8,595, of the following appropriations are reappropriated to the commercial passenger vessel tax account (AS 43.52.230(a)):

(1) sec. 4, ch. 15, SLA 2009, page 47, lines 11- 12, and allocated on page 47, lines 30 - 32, as amended by sec. 13(a), ch. 3, FSSLA 2019 (Department of Transportation and Public Facilities,

cruise ship-related projects, Juneau Thane Road pavement rehabilitation) estimated to be $712;

(2) sec. 4, ch. 15, SLA 2009, page 47, lines 11 - 12, and allocated on page 47, line 33 through page 48, line 4 (Department of Transportation and Public Facilities, cruise ship-related projects, Ketchikan: downtown pedestrian enhancements) estimated to be $7,883.

Subsection 10 (b) reappropriates past capital money to the Commercial Passenger Vessel Tax Account.

Legislative Fiscal Analyst Comment: This reappropriates $8,595 in Commercial Passenger Vessel Tax Funding back into the same fund. This is unnecessary and inefficient as the funding will lapse directly to the CVP Tax Account when the project terms. The executive branch can administratively lapse completed projects per AS 37.25.020, so an appropriation should not be necessary.

Legislative Fiscal Analyst Recommendation: Lapsing projects with small balances less than $5,000 should be administratively lapsed back to the originating fund rather than requiring reappropriation through a costly and time-consuming process. This reappropriation is to a fund and would be more accurately reflected in a fund capitalization section rather than a DOT section of the bill.

Sec. 11. LAPSE. (a) The appropriations made in secs. 1, 4, 9 and 10 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.

(b) The appropriation made in sec. 8(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: There are no named recipient grants included in this proposed bill, so this language is unnecessary. 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. 12. Sections 4 and 10 of this Act take effect June 30, 2021.

This identifies that **sections 4 and 10** take effect prior to the end of FY21. All reappropriations of prior capital project funding take effect so as to avoid the potential lapse of funding.

Sec. 13. Except as provided in sec. 12 of this Act, this Act takes effect July 1, 2021.

Agency Narratives and Funding Summaries

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2021 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Administration

Appropriation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Centralized Admin. Services	91,406.7	91,856.7	91,856.7	91,406.7	90,686.3	-1,170.4	-1.3 %	-720.4	-0.8 %
Shared Services of Alaska	13,592.1	13,592.1	13,592.1	13,948.8	18,190.8	4,598.7	33.8 %	4,242.0	30.4 %
Office of Information Tech	71,803.0	71,803.0	71,803.0	71,803.0	56,604.3	-15,198.7	-21.2 %	-15,198.7	-21.2 %
Motor Vehicles	17,803.7	17,803.7	17,803.7	17,803.7	17,241.2	-562.5	-3.2 %	-562.5	-3.2 %
Admin State Facilities Rent	506.2	506.2	506.2	506.2	506.2	0.0		0.0	
Public Communications Services	3,549.4	879.5	879.5	879.5	879.5	0.0		0.0	
Risk Management	40,784.9	40,784.9	40,784.9	40,784.9	37,784.9	-3,000.0	-7.4 %	-3,000.0	-7.4 %
Legal & Advocacy Services	58,754.6	58,754.6	58,754.6	58,640.8	57,872.4	-882.2	-1.5 %	-768.4	-1.3 %
Alaska Public Offices Comm	949.3	949.3	949.3	949.3	920.3	-29.0	-3.1 %	-29.0	-3.1 %
Agency Total	**299,149.9**	**296,930.0**	**296,930.0**	**296,722.9**	**280,685.9**	**-16,244.1**	**-5.5 %**	**-16,037.0**	**-5.4 %**
Funding Summary									
Unrestricted General (UGF)	69,267.8	67,047.9	67,047.9	66,597.9	66,914.5	-133.4	-0.2 %	316.6	0.5 %
Designated General (DGF)	26,232.0	26,232.0	26,232.0	26,232.0	26,505.5	273.5	1.0 %	273.5	1.0 %
Other State Funds (Other)	202,545.5	202,545.5	202,545.5	202,788.4	185,961.3	-16,584.2	-8.2 %	-16,827.1	-8.3 %
Federal Receipts (Fed)	1,104.6	1,104.6	1,104.6	1,104.6	1,304.6	200.0	18.1 %	200.0	18.1 %

Department of Administration

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Centralized Administrative Services / Office of the Commissioner	Add Deputy Commissioner (02-1163) for Improved Department Oversight	**Net Zero** **1 PFT Position**	This position was added for improved oversight of the department and implementation of statewide centralization initiatives. The department plans to offset expenditures with $211.7 from the services line to pay for increased personal services costs in this allocation.
2	Centralized Administrative Services / Finance	Eliminate Statewide Single Audit Contract with the Division of Legislative Audit	($450.0) Gen Fund (UGF)	This decrement eliminates the Statewide Single Audit contract between the Division of Finance (DOF) and the Division of Legislative Audit (DLA). It also reduces DOF's funding by the amount of the contract. The department states that the constitutional responsibility for performing the Single Audit function is assigned to and should be directly budgeted in DLA. **Fiscal Analyst Comment:** The full reimbursable services agreement (RSA) between DOF and DLA is for $1 million, of which $450.0 is made up of UGF. This arrangement allows for non-UGF fund sources to bear a portion of the cost of the single audit through DOF's rates. Eliminating this cost would require increasing DLA's budget by $1 million. A more efficient option would be to retain the RSA, and instead replace the $450.0 UGF with interagency receipts. This would require DOF to increase its rates charged to other agencies, which would minimize UGF costs and shift a portion of this cost to other fund sources (such as federal revenue). DLA is housed in the Legislative Branch, which allows the agency to perform external audits of Executive Branch agencies as an independent auditor.
3	Centralized Administrative Services / Personnel	Add Funding to Maintain Biweekly Payroll Transition Through FY22	$1,650.0 Gen Fund (UGF) **IncOTI**	The transition to bi-weekly payroll processing generates an increase to overall payroll costs by approximately $4.8 million annually across all agencies. Of the $4.8 million, approximately $2 million is attributable to UGF. Savings are related to bi-weekly payroll exist both within the Division of Personnel and Labor Relations (DOPLR) and from work performed by agency human resources (HR) staff. DOPLR is reducing their rate it charges agencies by $2 million, which offsets a portion of the $4.8 million to lighten the cost burden for agencies. The reduction of $1.65 million in authority is the difference between the $2 million and $350.0, which

Department of Administration

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Centralized Administrative Services / Personnel	Add Funding to Maintain Biweekly Payroll Transition Through FY22	$1,650.0 Gen Fund (UGF) **IncOTI**	(continued) DOPLR has stated they can absorb in the first year through cost-cutting efficiencies. Additionally, DOPLR states that savings associated with work performed at the department-level cannot be achieved until those HR staff are transferred to DOPLR through an HR consolidation. The division will continue to look for ways to reduce budget authority to achieve the $2 million in savings in the next few fiscal years. **Items 3 and 4 are related.**
4	Centralized Administrative Services / Personnel	Reduce Authority to Align with Anticipated Central Services Revenue	($1,659.9) I/A Rcpts (Other)	This decrement represents the reduction to the rate agencies are charged approximately equal to the general fund impact of increased payroll. **Items 3 and 4 are related.**
5	Shared Services of Alaska / Office of Procurement and Property Management	Establish New Office of Procurement and Property Management Allocation and Transfer Associated Positions and Authority	$2,763.8 I/A Rcpts (Other) **62 PFT Positions**	A new allocation, Office of Procurement and Property Management (OPPM), is created to consolidate all procurement functions under one centralized place. This follows the Governor's directive to implement Administrative Order 304, which establishes a statewide procurement consolidation. The Statewide Contracting and Property allocation will no longer exist and all positions and authority will be transferred to OPPM. A total of 43 positions, mostly Procurement Specialists, from eleven agencies will be transferred to OPPM. A total of 19 positions from various Department of Administration allocations will be transferred to the OPPM allocation. **Items 5, 6, and 7 are related.**
6	Shared Services of Alaska / Office of Procurement and Property Management	Align Authority for Increased Vendor Fees	**Net Zero** $375.0 GF/Prgm (DGF) ($375.0) I/A Rcpts (Other)	The Office of Procurement and Property Management (OPPM) establishes and maintains contracts with vendors that can be used by all State agencies and political subdivisions. The contracts contain language which states that vendors will pay OPPM an administrative fee of 1.5% of total spend on a quarterly basis. This fund change allows OPPM to collect those fees as they anticipate the volume of the contracts will increase as a result of the procurement consolidation. **Items 5, 6, and 7 are related.**

Department of Administration
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Shared Services of Alaska / Office of Procurement and Property Management	Add Authority for Statewide Procurement Consolidation (Administrative Order 304)	$5,977.0 I/A Rcpts (Other)	This increment allows the Office of Procurement and Property Management to bill other agencies for services that will be provided under the statewide procurement and property management consolidation. **Items 5, 6, and 7 are related.**
8	Shared Services of Alaska / Office of Procurement and Property Management	Add Authority for Federal Surplus Property Program Expansion	$200.0 Surpl Prop (Fed)	This increment funds a position (10-4231) being transferred from the Accounting allocation to be reclassfied from an Office Assistant to a Stocks and Parts Services position. Reclassification of the existing Office Assistant (02-5022) to a Procurement Specialist will also be necessary due to increased demands and responsibilities within the Federal Surplus Property Program. **Fiscal Analyst Comment:** The Surplus Federal Property Revolving Fund (Fund Code 1033) is designed to collect revenues from users or purchasers of excess federal property that the State has acquired and to pay the administrative expenses incurred in managing this property. If the State makes a profit on the sales, the earnings remain in the fund.
9	Shared Services of Alaska / Accounting	Debt Recovery Consolidation	**Net Zero** $375.0 GF/Prgm (DGF) ($375.0) I/A Rcpts (Other)	This fund change allows Shared Services of Alaska (SSoA) to consolidate all debt in one centralized location. Debt is collected from the Alaska Court System debt portfolio fines, fees, and surcharges through PFD garnishments. Additionally, a 5% administrative fee is charged to agencies for services provided related to debt collection.
10	Office of Information Technology / Alaska Division of Information Technology	Reduce Authority to Align with Anticipated Central Services Revenue	($13,680.7) Info Svc (Other)	This reduction in authority is due to efficiency gains and cost savings as departments continue to onboard with centralization of IT services, resulting in a higher level of budget authority than needed.
11	Office of Information Technology / Alaska Division of Information Technology	Reduce Authority Due to Realized Cost Savings in Multiple Areas	($1,518.0) Info Svc (Other)	The agency has identified savings through multiple reductions related to telework expansion: 1. Migration to Microsoft G5 licensing to replace several existing systems, reducing total cost of operations and increasing capabilities, including telework infrastructure. ($1,250.0) 2. Decreased need for parking space in Atwood Building from increased teleworking. ($10.0) 3. Termination of Bayview Commerical Building lease, of which 48 positions will be utilizing shared

Department of Administration
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
11	Office of Information Technology / Alaska Division of Information Technology	Reduce Authority Due to Realized Cost Savings in Multiple Areas	($1,518.0) Info Svc (Other)	(continued) work space in the Atwood Building with a routine telework model. ($200.0) 4. Transfer of the Channel Drive lease associated with the State of Alaska Communication System facilities to the Department of Military and Veterans Affairs. ($58.0)
12	Motor Vehicles / Motor Vehicles	Close Multiple DMV Offices and Relocate/Delete Associated Positions	($582.5) GF/Prgm (DGF) **(4) PFT Positions** **(2) PPT Positions**	The following Division of Motor Vehicle (DMV) offices across the state are proposed to close and relocates or deletes the associated positions and general fund/program receipt (GF/PR) authority: 1. Eagle River Office: Relocate 4 PFT Customer Service Representative positions to the Anchorage DMV, ($62.8) 2. Tok Office: (1 PFT) Customer Service Representative position, ($54.6) 3. Valdez Office: (I PFT) Customer Service Representative position, ($85.5) 4. Homer Office: (2 PFT) Customer Service Representative positions, ($164.0) 5. Haines Office: (1 PPT) Customer Service Representative position, ($94.9) 6. Delta Junction Office: (1 PPT) Customer Service Representative position, ($120.7) **Fiscal Analyst Comment:** The DMV lapsed $33.6 million as UGF revenue in FY20. In FY20, most DMV offices have generated more than enough revenue to meet their GF/PR authority. The deadline to obtain a federal REAL ID is by October 2021 and currently requires an in-person visit. Options to travel to nearby DMV offices may not be easily accessible to all Alaskans.
13	Risk Management / Risk Management	Add Two Operations Research Analysts (02-1161 & 02-1162) for Big Data Analytics Services	**Net Zero** **2 PFT Positions**	A transfer of $449.2 from the services line to the personal services line was made to offset the costs of these positions. **Fiscal Analyst Comment:** The Data Analytics section was created in FY21 and is housed in the Risk Management allocation. The section is tasked with creating a data hub that can be centrally located and allow staff to mine and analyze data to help fight waste and abuse, improve efficiencies, and correct discrepancies across State departments. This type of

Department of Administration
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
13	Risk Management / Risk Management	Add Two Operations Research Analysts (02-1161 & 02-1162) for Big Data Analytics Services	**Net Zero** **2 PFT Positions**	(continued) work is not within the traditional scope of the Risk Management division.
14	Risk Management / Risk Management	Reduce Authority by Utilizing Self-Insurance Coverage to Align with Claims	($3,000.0) I/A Rcpts (Other)	The Division of Risk Management (DRM) anticipates self-insuring property losses, resulting in a savings of $3 million of interagency receipt authority billed out to agencies. DRM savings are a result of an analysis of the past fifteen years of claims and a 15-year average for anticipated claim costs. Based on this analysis, DRM determined that it would self-insure property losses instead of purchasing high excess coverage limits on a short-term basis. **Fiscal Analyst Comment:** The legislature should deny this decrement and the budget reduced through a fiscal note if legislation is introduced to change the statute (AS 37.05.289) to allow the catastrophe reserve account to maintain an unobligated balance of up to $50 million (an increase from the current $5 million). DRM has advised that this budget request is contingent on this legislation.
15	Legal and Advocacy Services / Office of Public Advocacy	OPA Court Visitors - Transfer of Responsibilities to the Alaska Court System	($854.4) Gen Fund (UGF)	Management of court visitors in guardianship cases is proposed to move from the Department of Administration, Office of Public Advocacy (OPA), to the Alaska Court System (ACS). Both agencies share the view that there is a perceived conflict of interest because OPA is statutorily required both to represent the respondents and to provide court visitors in these matters. This proposal is contingent on statute change. **Fiscal Analyst Comment:** The legislature should deny this decrement and the budget increased through a fiscal note if legislation is introduced to change the statute to make ACS responsible for the program. A corresponding budget increment of unrestricted general funds is reflected in the Alaska Court System, Trial Courts budget in the amount of $960.6. According to ACS, transferring the court visitor responsibilities results in an increase of $106.2 UGF to support a full-time ACS position to manage the program. Currently, OPA does not have sufficient resources to manage the program and will likely need additional funding if the program remains in OPA.

Department of Administration
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
16	Various	Structure Change: Transfer Various Allocations Related to Leases and Facilities to DOT&PF Facilities Services	n/a	The following five allocations related to leases and facilities are proposed to be eliminated from the Department of Administration and established instead under the Department of Transportation and Public Facilities' Division of Facilities Services: 1. Leases 2. Lease Administration 3. Facilities 4. Facilities Administration 5. Non-Public Building Fund Facilities **Fiscal Analyst Comment:** The Division of Facilities Services was established in FY19 to centralize facilities maintenance and operations to support multi-departmental facilities statewide.

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2021 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Commerce, Community and Economic Development

Appropriation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Banking and Securities	4,052.5	4,052.5	4,052.5	4,052.5	4,153.5	101.0	2.5 %	101.0	2.5 %
Executive Administration	5,663.0	5,663.0	5,663.0	5,663.0	5,634.7	-28.3	-0.5 %	-28.3	-0.5 %
Community and Regional Affairs	11,175.2	19,675.2	19,675.2	11,175.2	10,765.9	-8,909.3	-45.3 %	-409.3	-3.7 %
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	14,651.0	14,651.0	14,651.0	14,651.0	15,331.0	680.0	4.6 %	680.0	4.6 %
Economic Development	546.6	546.6	546.6	546.6	210.8	-335.8	-61.4 %	-335.8	-61.4 %
Investments	5,302.8	5,302.8	5,302.8	5,302.8	5,302.8	0.0		0.0	
Insurance Operations	7,832.7	7,832.7	7,832.7	7,832.7	7,847.7	15.0	0.2 %	15.0	0.2 %
AK Oil & Gas Conservation Comm	7,993.4	7,993.4	7,993.4	7,993.4	8,043.4	50.0	0.6 %	50.0	0.6 %
Alcohol and Marijuana Control	3,865.0	3,865.0	3,865.0	3,865.0	3,865.0	0.0		0.0	
AK Gasline Development Corp	3,431.6	3,431.6	3,431.6	3,431.6	3,081.6	-350.0	-10.2 %	-350.0	-10.2 %
Alaska Energy Authority	38,354.0	38,354.0	38,354.0	38,354.0	40,854.0	2,500.0	6.5 %	2,500.0	6.5 %
AIDEA	15,194.0	15,194.0	15,194.0	15,194.0	15,194.0	0.0		0.0	
Alaska Seafood Marketing Inst	20,360.3	26,077.8	26,077.8	26,077.8	21,460.3	-4,617.5	-17.7 %	-4,617.5	-17.7 %
Regulatory Commission of AK	9,328.5	9,328.5	9,328.5	9,328.5	9,500.7	172.2	1.8 %	172.2	1.8 %
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	**163,238.2**	**177,455.7**	**177,455.7**	**168,955.7**	**166,733.0**	**-10,722.7**	**-6.0 %**	**-2,222.7**	**-1.3 %**
Funding Summary									
Unrestricted General (UGF)	8,462.0	8,462.0	8,462.0	8,462.0	6,710.0	-1,752.0	-20.7 %	-1,752.0	-20.7 %
Designated General (DGF)	85,016.6	85,016.6	85,016.6	85,016.6	88,768.4	3,751.8	4.4 %	3,751.8	4.4 %
Other State Funds (Other)	48,736.8	57,236.8	57,236.8	48,736.8	49,081.8	-8,155.0	-14.2 %	345.0	0.7 %
Federal Receipts (Fed)	21,022.8	26,740.3	26,740.3	26,740.3	22,172.8	-4,567.5	-17.1 %	-4,567.5	-17.1 %

Department of Commerce, Community and Economic Development

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Community and Regional Affairs / Community and Regional Affairs	Remove General Fund Subsidy to Alaska Legal Services	($450.0) Gen Fund (UGF)	This decrement eliminates the Division of Community and Regional Affairs' (DCRA) unrestricted general fund (UGF) grant to the Alaska Legal Services Corporation (ALSC). ALSC receives an annual grant from DCRA in the amount of $450.0 UGF of base funding to provide legal assistance to low-income Alaskans. Since FY19, ALSC has also received additional funding through a language appropriation from the Civil Legal Services Fund (AS 37.05.590). For FY22, the language appropriation is $311.6 DGF, based on 10% of filing fees received by the Court in FY20.
2	Community and Regional Affairs / Community and Regional Affairs	Reduce Funding and Hold Local Government Specialist III Position Vacant (08-5107)	($90.6) Gen Fund (UGF)	The Division of Community and Regional Affairs plans to identify further savings by implementing a virtual training option for communities and other initiatives to fund the Local Government Specialist III position, which has been vacant since February 2020.
3	Corporations, Business and Professional Licensing / Corporations, Business and Professional Licensing	Increase Authority for Prescription Drug Monitoring Program Software and Positions	$680.0 I/A Rcpts (Other)	The Division of Corporations, Business, and Professional Licensing (CBPL) has been granted, through the Department of Health and Social Services (DHSS), multiple federal grant awards to support part of the Prescription Drug Monitoring Program (PDMP) software and to pay for positions that support the program, including the PDMP Program Coordinator (08-2117). This authority will allow CBPL to receive that funding through a reimbursable services agreement with DHSS. If federal funds are not received, CBPL will fund the PDMP through professional licensing fees charged to licensees in the medical licensing fields.
4	Economic Development / Economic Development	Transfer Alaska Development Team Staff to the Office of the Governor for Statewide Economic Development	($239.2) Gen Fund (UGF) **(2) PFT Positions**	In FY20, the Governor's budget proposed transferring economic development activities - positions and funding - to the Office of the Governor. The legislature denied the request and the positions and funding remained in the Economic Development allocation. The administration then established the Alaska Development Team (ADT) within the Economic Development allocation and proposed a four-year pilot program. They proposed to fund the program using the Alaska Capstone Avionics Revolving Loan funds, which was sunsetting at the end of FY20. The legislature denied the request to use Alaska Capstone funds to fund the program. This request transfers the ADT and associated funding to the Office of the Governor. The following positions

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	Transfer Alaska Development Team Staff to the Office of the Governor for Statewide Economic Development	($239.2) Gen Fund (UGF) **(2) PFT Positions**	(continued) are slated to be transferred: -Full-time Business Development Officer (08-1274), range 27, located in Anchorage -Full-time Development Manager (08-T007), range 28, located in Anchorage One non-permanent Development Assistant position and the Division Director will remain in the Economic Development allocation.
5	Alaska Energy Authority / Alaska Energy Authority Rural Energy Assistance	Replace Unrestricted General Funds with Power Cost Equalization Endowment Funds	**Net Zero** ($847.3) Gen Fund (UGF) $847.3 PCE Endow (DGF)	General funds in the Alaska Energy Authority Rural Energy Assistance allocation are currently used as a match for the circuit rider program, training programs, and other technical assistance provided by the Denali Commission. Additionally, UGF is used for administration and oversight costs of these programs. **Fiscal Analyst Comment:** The use of Power Cost Equalization Funds for the purposes of funding rural energy assistance programs and the administration of these programs does not meet the statutory definition for uses of the PCE Fund per AS 42.45.085.
6	Alaska Energy Authority / Alaska Energy Authority Power Cost Equalization	Restore Power Cost Equalization and Endowment Funding for FY2022	$32,355.0 PCE Endow (DGF)	This increment is a $2.5 million increase from FY21 in Power Cost Equalization (PCE) grant disbursements based on historical averages and trends in fuel costs. Legislative Finance Division has requested further information from the department. 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. Program costs are impacted by the "PCE floor" calculated by the Regulatory Commission of Alaska (RCA). Per AS 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. The Alaska Energy Authority determines eligibility of community facilities and residential

Department of Commerce, Community and Economic Development

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Alaska Energy Authority / Alaska Energy Authority Power Cost Equalization	Restore Power Cost Equalization and Endowment Funding for FY2022	$32,355.0 PCE Endow (DGF)	(continued) customers and authorizes reimbursement to the electric utility for the PCE credits extended to customers.
7	Alaska Seafood Marketing Institute / Alaska Seafood Marketing Institute	Increase Federal Grant Authorization for Future Awards	$1,100.0 Fed Rcpts (Fed)	The Alaska Seafood Marketing Institute (ASMI) has submitted two pre-proposals for federal grants pending award in fall 2021 to supplement the seafood marketing assessment. ASMI is also evaluating additional federal funding opportunities. This increment will allow them to accept federal funds if awarded. In the event that ASMI does not receive funding, this could become hollow authority. **Fiscal Analyst Comment:** The Legislative Audit and Budget Committee approved RPL 08-2021-0278 on December 10, 2020 of federal receipt authority totaling $850.0 to allow ASMI to carryfoward FY20 Market Access Program unspent federal awards to FY21. The carryfoward amount totaled approximately $781.6 of unspent federal awards due to the interruption of COVID-19 pandemic in FY20. Additionally, the RPL allows ASMI to participate in the Cochran Fellowship Program, which provides short-term training opportunities to agricultural professionals from middle-income countries, emerging markets, and emerging democracies. Each training is anticipated to cost $60.0 and is reimbursed by the U.S. Department of Agriculture's Foreign Agricultural Service.

2021 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Corrections

Appropriation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Facility Capital Improvement	1,557.4	1,557.4	1,557.4	1,561.8	1,561.8	4.4	0.3 %	0.0	
Population Management	275,716.3	291,716.3	291,716.3	277,070.5	281,507.0	-10,209.3	-3.5 %	4,436.5	1.6 %
Health and Rehab Services	88,832.3	88,832.3	88,832.3	89,096.7	89,888.4	1,056.1	1.2 %	791.7	0.9 %
Offender Habilitation	1,574.5	1,574.5	1,574.5	1,577.8	1,577.8	3.3	0.2 %	0.0	
Recidivism Reduction Grants	1,501.3	1,501.3	1,501.3	1,501.3	1,501.3	0.0		0.0	
24 Hr. Institutional Utilities	11,662.6	11,662.6	11,662.6	11,662.6	11,662.6	0.0		0.0	
Administration and Support	11,520.1	11,520.1	11,520.1	9,889.8	10,188.0	-1,332.1	-11.6 %	298.2	3.0 %
Agency Total	**392,364.5**	**408,364.5**	**408,364.5**	**392,360.5**	**397,886.9**	**-10,477.6**	**-2.6 %**	**5,526.4**	**1.4 %**
Funding Summary									
Unrestricted General (UGF)	339,285.9	339,285.9	339,285.9	339,285.9	345,366.5	6,080.6	1.8 %	6,080.6	1.8 %
Designated General (DGF)	13,916.9	29,916.9	29,916.9	13,916.9	16,309.4	-13,607.5	-45.5 %	2,392.5	17.2 %
Other State Funds (Other)	25,914.5	25,914.5	25,914.5	25,910.5	21,863.8	-4,050.7	-15.6 %	-4,046.7	-15.6 %
Federal Receipts (Fed)	13,247.2	13,247.2	13,247.2	13,247.2	14,347.2	1,100.0	8.3 %	1,100.0	8.3 %

Department of Corrections
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Population Management / Pre-Trial Services	Add Fourteen New Positions to Support Pretrial Services Needs	**Net Zero** **14 PFT Positions**	The agency increased staffing to support the pretrial population, which has expanded by 8% between December 2019 and December 2020. Fourteen positions were added (without funding) as position adjustments in the agency's management plan, which the executive branch has the authority to do without legislative approval. The agency then transferred $765.8 of existing UGF authority from the services line to personal services to fund these new positions. This funding was previously used to provide incentives for local law enforcement entities to enter into partnerships with the State to provide pretrial services, however the local support was insufficient to meet the need for services. **Fiscal Analyst Comment:** Alaska's unsentenced population currently makes up 54% of the total Corrections population count, compared to 49% at the end of 2019. This increase is in part due to COVID-19 related restrictions on court hearings, but the agency cannot predict if or when this might abate. In correlating contrast, the sentenced population has decreased by roughly the same amount, approximately 200 inmates in the past year. In other states, city and county jails will assume certain duties related to monitoring, holding, and transporting pretrial and unsentenced individuals. County sheriff's offices even provide prisoner transportation, whereas in Alaska this is performed primarily by Alaska State Troopers. Alaska statute does not include any requirements for local government to provide or contribute to these services, though a few communities do have small jails or short-term holding cells. The Department has authority to charge municipalities a manday rate based on the average daily cost of care for an inmate, including overhead costs.
2	Population Management / Anchorage Correctional Complex	Revenue Increase for Anticipated Federal and Municipal Manday Billings	**Net Zero** $1,100.0 Fed Rcpts (Fed) ($3,500.0) Gen Fund (UGF) $2,400.0 GF/Prgm (DGF)	The Department of Corrections currently projects federal receipts to be over-collected by approximately $1,100.0, and municipal mandays and inmate phone stipend receipts to be over-collected by approximately $2,400.0. The agency has also raised the daily rate for housing federal and municipal inmates from $168.74 to $176.24, further increasing anticipated receipts. This fund change reduces GF funding, and supplants it

Department of Corrections
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Population Management / Anchorage Correctional Complex	Revenue Increase for Anticipated Federal and Municipal Manday Billings	**Net Zero** $1,100.0 Fed Rcpts (Fed) ($3,500.0) Gen Fund (UGF) $2,400.0 GF/Prgm (DGF)	(continued) with authority to spend down its existing balances and projected current year receipts. **Items 2 and 3 are related.**
3	Population Management / Anchorage Correctional Complex	General Fund Backstop Language for Potential Federal Manday Billings Shortfall	**Net Zero**	This backstop language would allow the agency to access GF funding if the FY22 federal and municipal manday billings fall short. The inclusion of this language as written provides the agency with the option to avoid drawing on any previously accumulated receivables. **Fiscal Analyst Comment:** The Department anticipates an increase in manday billing receipts of approximately $3,500.0 in FY22. With these receivables in addition to anticipated over-collections in FY21, the agency's projections indicate that the backstop language for added GF is unlikely to be necessary. The legislature may consider requiring the agency to fully-utilize any existing balances and current year receipts before providing access to additional GF funding. This GF backstop funding should also include a cap. **Items 2 and 3 are related.**
4	Population Management / Electronic Monitoring	Eliminate Electronic Monitoring Appropriation and Restore as an Allocation Under Population Management Appropriation	n/a	The FY22 Governor's budget proposes a structure change to move the Electronic Monitoring allocation under Population Management to allow flexibility in determining where those funds are spent. The legislature moved the Electronic Monitoring allocation out of the Population Management appropriation in FY20 and established it as its own separate appropriation to prevent the agency from transferring funding to other allocations. It was the intent of the legislature that the agency should strive to increase the use of electronic monitoring to control costs by reducing the number of individuals in secured facilities. In FY21 the Governor proposed to restore Electronic Monitoring under Population Management, and the legislature denied this proposal. **Fiscal Analyst Comment:** Between January 2 and December 28, 2020 the number of individuals on

Department of Corrections

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Population Management / Electronic Monitoring	Eliminate Electronic Monitoring Appropriation and Restore as an Allocation Under Population Management Appropriation	n/a	(continued) electronic monitoring has increased from 131 to 193, a 47% increase.
5	Population Management / Electronic Monitoring	Add Authority to allow GPS Tracking for Community Residential Center Placements	$461.5 Gen Fund (UGF)	This increment would provide funding for 390 Community Residential Center residents to be tracked with GPS monitors utilizing existing contracts managed within the Electronic Monitoring allocation.
6	Population Management / Community Residential Centers	Eliminate Community Residential Centers Appropriation and Restore as an Allocation Under Population Management	n/a	The FY22 Governor's budget proposes a structure change to move the Community Residential Centers (CRC) allocation under Population Management to allow flexibility in determining where those funds are spent. The legislature moved the CRC allocation out of the Population Management appropriation in FY20 and established it as its own separate appropriation to prevent the agency from transferring funding to other allocations. It was the intent of the legislature that the agency should strive to increase the use of CRCs to control costs by reducing the number of individuals in secured facilities. In FY21 the Governor proposed to restore the CRC allocation under Population Management, and the legislature denied this proposal. **Items 6 and 7 are related.**
7	Population Management / Community Residential Centers	Add Authority for 112 New Parkview Community Residential Center Beds	$3,975.0 Gen Fund (UGF)	This contract was reinstated in June 2020, and the agency housed an average of 10 people at Parkview in December 2020. The Department pays a daily rate of $97.25 for each inmate, and this increment would provide funding for all 112 beds to be filled for a full year. The Department has contracted with Parkview in the past, but this ceased in 2016 due to anticipated reductions to the inmate population associated with the passage of SB 91 Omnibus Crim Law & Procedure; Corrections. **Fiscal Analyst Comment:** Parkview Community Residential Center in Anchorage and Gastineau Human Services in Juneau are billed at fixed rates per occupancy, while all other Community Residential Centers are contracted on a tiered scale, where the cost per occupant is higher at first, but decreases as the number of filled beds increases in each facility.

Department of Corrections
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Population Management / Community Residential Centers	Add Authority for 112 New Parkview Community Residential Center Beds	$3,975.0 Gen Fund (UGF)	(continued) billing contracts assume overhead charges in the initial costs. If the legislature accepts the Governor's structure change, restoring the CRC allocation under Population Management, the agency would have flexibility to transfer any excess funding from this increment to use elsewhere in the Population Management appropriation. **Items 6 and 7 are related.**
8	Health and Rehabilitation Services / Physical Health Care	Add Twelve New Positions to Support Statewide Medical Needs	**Net Zero** **12 PFT Positions**	The agency is seeking to establish PFT positions in place of relying on contracted services, on-call non-perm, long-term non-perm, overtime and double-filled positions. These positions will be funded using existing authority. **<u>Add Twelve PFT Positions in the Following Locations</u>** Four Corrections Nurses I/II, range 22/23, located at Anchorage Correctional Complex Two Physical Asst/Aprn I, range 26, located at Anchorage Correctional Complex One Corrections Nurse I, range 22, located at Anchorage for Statewide Support One Physical Asst/Aprn I, range 26, located at Anchorage for Statewide Support Two Corrections Nurses I/II, range 22/23, located at Mat-su Correctional Center One Corrections Nurse I/II, range 22/23, located at Wildwood Correctional Center One Pharmacy Technician, range 12, located at Wildwood Correctional Center **Fiscal Analyst Comment:** In FY20, Physical Health Care lapsed $7,573.5 UGF, in part due to federal offsets for expenditures related to the COVID-19 epidemic. FY21 funding levels are $17,715.2 higher than the allocation's FY20 actuals for all realizable fund sources. This level of funding should be more than sufficient to add 12 new positions. **Items 8 and 9 are related.**

Department of Corrections

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
9	Health and Rehabilitation Services / Physical Health Care	Restore Funding and Positions for Six Healthcare Providers Included in HB49 Fiscal Note for Palmer CC (Ch4 FSSLA2019)	$791.7 Gen Fund (UGF) **6 PFT Positions**	In FY21, the agency offered a $791.7 UGF decrement to account for six physical health care positions that were included in the HB 49 fiscal note for reopening the Palmer Correctional Center. At that time, the agency was seeking to transfer additional inmates to private prisons outside of Alaska in lieu of reopening the Palmer facility, and counted the decrement as a savings. This FY22 increment would reinstate the funding and positions included in the original fiscal note for Palmer. **Fiscal Analyst Comment:** The FY21 UGF budget exceeds FY20 actuals by $17.7 million. The agency projects that FY21 expenditures will exceed FY20 actuals by approximately $18-$20 million in order to meet operational and pandemic-related needs, though much of this spending will qualify for federal reimbursements, potentially resulting in additional UGF lapse in FY21. For these reasons it is unclear at this time whether the agency will require additional funding in order to add these positions for Palmer. **Items 8 and 9 are related.**
10	Health and Rehabilitation Services / Physical Health Care	Replace Funding Source to Align with Balance in Restorative Justice Fund	**Net Zero** $4,344.9 Gen Fund (UGF) ($4,344.9) Rest Just (Other)	The amount of Restorative Justice Funds, formerly known as Permanent Fund Dividend (PFD) Criminal funds, available for appropriation in FY22 is significantly less than the FY21 amount due to the State issuing a smaller PFD in 2019 compared to the year prior. In FY21, the calculation was based on 9,019 ineligible Alaskans and a $1,606 dividend for the 2018 calendar year, and in FY22 it is based on 9,446 ineligible Alaskans and a $992 dividend for the 2019 calendar year. **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 the number of individuals who are ineligible for a dividend under AS 43.23.005(d) due to their criminal convictions, and the dividend amount that they would have otherwise received. The calculation is typically performed in October by the Permanent Fund Dividend Division, based on information from the previous full calendar year. The number of ineligible persons is the sum of Department of Corrections counts of incarcerated felons and misdemeanants, and

Department of Corrections
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Health and Rehabilitation Services / Physical Health Care	Replace Funding Source to Align with Balance in Restorative Justice Fund	**Net Zero** $4,344.9 Gen Fund (UGF) ($4,344.9) Rest Just (Other)	(continued) Department of Public Safety counts of sentenced felons. Those forfeited funds are then available in the subsequent budget cycle for appropriation to eligible agencies. 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 dividend that is distributed each year. Similar adjustments were made in the Department of Health and Social Services for Behavioral Health Treatment and Recovery Grants, in the Legislature for the Office of Victim Rights, and in the Department of Public Safety for the Violent Crimes Compensation Board.
11	Administration and Support / Recruitment and Retention	Transfer Alaska Police Standards Council (APSC) from Administrative Services for Staffing Support	$196.2 Gen Fund (UGF) **2 PFT Positions**	The agency transferred its two PFT employees who work with the Alaska Police Standards Council (APSC) from Administrative Services to the new Recruitment and Retention allocation in the FY21 management plan. These APSC recruitment positions support the recruitment, background verification, and training efforts for all types of DOC's APSC certified positions (correctional officer, probation officer, correctional supervisor, correctional superintendent, etc.). The Department of Public Safety houses the majority of APSC resources with a budget of just under $1.4 million and four PFT employees.

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2021 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Education and Early Development

Appropriation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
K-12 Aid to School Districts	1,341,555.3	1,311,555.3	1,311,555.3	1,311,555.3	1,286,252.1	-25,303.2	-1.9 %	-25,303.2	-1.9 %
K-12 Support	12,991.3	12,991.3	12,991.3	12,991.3	12,946.8	-44.5	-0.3 %	-44.5	-0.3 %
Education Support and Admin	254,561.6	250,261.6	250,261.6	250,261.6	250,274.3	12.7		12.7	
State Facilities Rent	1,068.2	1,068.2	1,068.2	1,068.2	1,068.2	0.0		0.0	
AK State Council on the Arts	3,862.3	3,862.3	3,862.3	3,862.3	3,862.3	0.0		0.0	
Commissions and Boards	253.6	253.6	253.6	253.6	253.6	0.0		0.0	
Mt. Edgecumbe Boarding School	13,392.0	13,392.0	13,392.0	13,392.0	14,592.0	1,200.0	9.0 %	1,200.0	9.0 %
Libraries, Archives & Museums	13,568.4	19,284.5	19,284.5	19,042.9	18,864.1	-420.4	-2.2 %	-178.8	-0.9 %
Alaska Postsecondary Education	20,412.1	20,412.1	20,412.1	20,412.1	19,820.0	-592.1	-2.9 %	-592.1	-2.9 %
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	11,062.1	11,062.1	11,062.1	11,062.1	9,573.5	-1,488.6	-13.5 %	-1,488.6	-13.5 %
Agency Total	**1,684,476.9**	**1,655,893.0**	**1,655,893.0**	**1,655,651.4**	**1,629,256.9**	**-26,636.1**	**-1.6 %**	**-26,394.5**	**-1.6 %**
Funding Summary									
Unrestricted General (UGF)	1,346,742.3	1,319,645.9	1,319,645.9	1,319,404.3	1,292,530.1	-27,115.8	-2.1 %	-26,874.2	-2.0 %
Designated General (DGF)	25,323.7	23,836.2	23,836.2	23,836.2	24,288.6	452.4	1.9 %	452.4	1.9 %
Other State Funds (Other)	66,687.2	66,687.2	66,687.2	66,687.2	65,289.5	-1,397.7	-2.1 %	-1,397.7	-2.1 %
Federal Receipts (Fed)	245,723.7	245,723.7	245,723.7	245,723.7	247,148.7	1,425.0	0.6 %	1,425.0	0.6 %

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	FY2022 Foundation Program Expenditures from Public Education Fund	**Total: $1,193,475.2** $1,162,308.5 Gen Fund (UGF) $31,166.7 Pub School (Other)	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 FY22 Foundation Program estimate includes a base student allocation of $5,930. **Fiscal Analyst Comment:** The FY21 and FY22 amounts in the Governor's budget are based on draft student counts and are estimates which will change when the student counts are finalized. The public school funding program is fully funded in both FY21 and FY22. The student count period is a twenty school day period ending the fourth Friday in October. The FY21 student counts are scheduled to be finalized by mid-January, 2021. By statute, payments to school districts for the first nine months of a fiscal year are based on the prior fiscal year foundation formula; the final three months of payments are re-calculated and payments are based on the final student counts for the current fiscal year. The budgeted numbers in the FY21 management plan represent pre-pandemic projections and have not been updated to reflect the actual student count. For FY21, the pandemic has significantly changed traditional education delivery and the number of students attending classes in person and through correspondence schools. A "hold harmless" provision for districts with a five percent or greater reduction in average daily membership (ADM) counts, adjusted for school size, phase in the impacts of reduced student counts over three years. This provision applies to the count of non-correspondence students. In some districts, a large number of students switched from traditional school enrollment to correspondence school. This can result in districts seeing higher total funding because they trigger the hold harmless provision but also receive additional correspondence funding. As a result, in FY21 some districts will see increased funding over the original projection and others will see decreases. Actual funding to districts appears to be up overall by about $25 million despite an overall reduced student count. Additional federal stimulus funding will be available to school districts

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	FY2022 Foundation Program Expenditures from Public Education Fund	**Total: $1,193,475.2** $1,162,308.5 Gen Fund (UGF) $31,166.7 Pub School (Other)	(continued) but the full budget impacts are uncertain at the time of this publication. The FY22 projection is based on projections by school districts and reflect uncertainty about the status of in-school learning in FY22. The projection indicates decreased funding from FY21, but the actual funding will not be determined until the October 2021 student count.
2	K-12 Aid to School Districts / Pupil Transportation	FY2022 Pupil Transportation Expenditures from Public Education Fund	$71,435.9 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:** Similar to the Foundation Program formula funding, student count changes related to the pandemic will likely reduce state funding for many school districts for pupil transportation.
3	K-12 Aid to School Districts / Additional Foundation Funding	Additional Foundation Funding	n/a	**Fiscal Analyst Comment:** Additional K-12 UGF funding outside of the formula has been appropriated in the years and amounts below: FY12 - $20 million FY13 - $25 million FY14 - $46 million FY15 - $43 million FY19 - $20 million FY20 - $30 million FY21 - $0 FY22 proposed - $0 In FY21, $30 million was appropriated by the legislature but vetoed to $0 with the following explanation: "Additional State funding is not available to provide funding above the statutory foundation formula. The Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act provides one-time additional assistance to school districts." Districts did receive about $38.4 million from the federal CARES Act, but this funding was restricted to coronavirus-related expenditures.

Department of Education and Early Development

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Education Support and Administrative Services / Executive Administration	Increase Interagency Receipt Authority to Align Budget with Anticipated Expenditures	$210.0 I/A Rcpts (Other)	Increase interagency receipt authority to reflect a cost allocation plan implemented for the Commissioner's Office. **Fiscal Analyst Comment:** Per the department, a cost allocation plan for the Commissioner's Office was implemented in FY21. Prior to this, specific expenditures were allocated to, and paid directly by, various divisions. While the expenditures were allowable expenses in the other divisions, this did not reflect the actual expenditures and revenues for the Commissioner's Office. The increment of interagency receipt authority reflects the amount of funds that will be collected from the various divisions across the department based on the implemented cost allocation plan.
5	Education Support and Administrative Services / Administrative Services	Increase Interagency Receipt Authority to Align the Budget with Anticipated Expenditures	$176.0 I/A Rcpts (Other)	Increase interagency receipt authority to reflect a cost allocation plan implemented for Administrative Services. **Fiscal Analyst Comment:** Per the department, a cost allocation plan for Administrative Services was implemented in FY21. Prior to this, specific expenditures were allocated to, and paid directly by, various divisions. While the expenditures were allowable expenses in the other divisions, this did not reflect the actual expenditures and revenues for Administrative Services. The increment of interagency receipt authority reflects the amount of funds that will be collected from the various divisions across the department based on the implemented cost allocation plan.
6	Education Support and Administrative Services / School Finance & Facilities	Replace Interagency Receipts for Facilities Staff with UGF	**Net Zero** $933.0 Gen Fund (UGF) ($933.0) I/A Rcpts (Other)	The School Finance and Facilities component has $933.0 in inter-agency receipt authorization. This amount is 100% tied to the School Debt Reimbursement Program, of which $793.0 or 85% comes from UGF and $140.0 or 15% comes from the School Fund (DGF). When the School Debt Reimbursement program was vetoed for FY2021, all the interagency receipts became uncollectable, leaving an unintended shortfall within the School Finance and Facilities component. This increment is a net zero, as it allows for an offsetting reduction to the School Debt Reimbursement appropriation.

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 / School Finance & Facilities	Replace Interagency Receipts for Facilities Staff with UGF	**Net Zero** $933.0 Gen Fund (UGF) ($933.0) I/A Rcpts (Other)	(continued) **Items 6 and 7 are related**.
7	Education Support and Administrative Services / School Finance & Facilities	FY2021 Supplement Request to address School Finance and Facilities shortfall **Supplemental**	$928.0 School Fnd (DGF)	When the School Debt Reimbursement program was vetoed for FY2021, all the interagency receipts became uncollectable, leaving an unintended shortfall within the School Finance and Facilities component. **Items 6 and 7 are related**.
8	Education Support and Administrative Services / State System of Support	Delete Education Associate II Position (05-1809) and Authority No Longer Needed	($109.2) Gen Fund (UGF) **(1) PFT Position**	Delete a full-time Education Associate II position (05-1809), range 15, located in Juneau, and consolidate duties with an existing position (05-1819) with the same range and qualifications. The two positions contain duplicate duties, and both include a significant portion of their time allocated to travel management. With the significant reduction in travel and department-wide shift to virtual meetings and conferences, neither position is fully utilized. Additionally, the reduction in travel has reduced some of the demand on a third Education Associate II position (05-1759). The duties of two positions can be consolidated into one, and any overflow can be directed to the third position which currently has some additional time available to fully realize efficiencies in the division. **Fiscal Analyst Comment:** The total number of positions authorized in the State System of Support allocation increased from 4 to 7 from FY19 to FY20; in FY21 the count was 6 and in the Governor's FY22 proposed budget it is 5. However, the number of positions in the Education Support and Administrative Services allocation has remained fairly stable with 97 in FY19, 98 in FY20 and FY21, and 96 in the Governor's FY22 proposed budget.
9	Mt. Edgecumbe Boarding School / Mt. Edgecumbe Boarding School	Proceeds of Sale of State-owned Land in Sitka	**Net Zero**	**Fiscal Analyst Comment:** According to the department, multiple land sale inquires are received annually. A memorandum from the Department of Law dated November 25, 2020 noted DEED's authority to transfer real property is limited by state statute AS 14.07.030(a)(6) to only allow the transfer of real property to federal or state agencies or political

Department of Education and Early Development

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
9	Mt. Edgecumbe Boarding School / Mt. Edgecumbe Boarding School	Proceeds of Sale of State-owned Land in Sitka	**Net Zero**	(continued) subdivisions. This issue was related to a land sale where Southeast Alaska Regional Health Consortium (SEARHC) seeks to buy three parcels on Japonski Island owned by the Department of Education and Early Development (DEED). However, the statutory restriction is not specific to a single land sale.
10	Mt. Edgecumbe Boarding School / Mt. Edgecumbe Boarding School	Increase Federal Authority to Reflect Federal Awards in Budget	$1,200.0 Fed Rcpts (Fed)	Currently, Mt. Edgecumbe High School federal awards, foundation formula, and impact aid are reflected as interagency receipts. In an effort to clarify the budget, federal receipt authority is increased to distinguish between the foundation formula and impact aid received from other divisions within DEED and the federal awards (Elementary and Secondary Education Act amended by Every Student Succeeds Act and Child Nutrition) received annually. There are no new federal awards. The interagency receipt authority will be maintained in the budget to cover unbudgeted authority added annually for facilities maintenance costs.
11	Alaska State Libraries, Archives and Museums / Library Operations	Transfer School Broadband Assistance Budget to New Broadband Assistance Grants Allocation from Library Operations	n/a	By assigning School Broadband Assistance Grants (BAG) to its own allocation stakeholders will have a transparent and effective way to monitor the budget of this critical educational infrastructure program, which is especially important in a time of virtual learning caused by the COVID-19 pandemic. From FY2015 through FY2020, the School BAG program provided annual financial assistance to Alaskan schools that could not afford to get 10 megabits per second (mbps) of download service each year. School BAG was appropriated $5.0 million UGF in FY2015, then experienced annual decreases in funding to just under $1.5 million UGF in FY2020. In FY21, the School BAG program provides state funds that combine with E-Rate and local school funds to help schools reach 25 mbps, per SB74 (Chapter 5 SLA 2020). The FY21 allocation was to increase 72 schools to 10 mbps and 173 schools from 10 to 25 mbps. The FY22 allocation is $7,797.9.
12	Alaska State Libraries, Archives and Museums / Library Operations	Delete Vacant Librarian I Position and Authority No Longer Needed	($91.9) Gen Fund (UGF) **(1) PFT Position**	Delete vacant Librarian I (05-3049), range 16, located in Juneau, no longer needed due to duties being performed by other positions. **Fiscal Analyst Comment:** The total number of

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 / Library Operations	Delete Vacant Librarian I Position and Authority No Longer Needed	($91.9) Gen Fund (UGF) **(1) PFT Position**	(continued) positions in the Library Operations allocation is proposed to be reduced from 26 to 25, all located in Juneau. The number of librarians and librarian assistants would be reduced from 17 to 16.
13	Alaska State Libraries, Archives and Museums / Museum Operations	Delete Vacant Positions and Authority No Longer Needed	($86.9) Gen Fund (UGF) **(2) PPT Positions**	Delete the following vacant positions that are no longer needed due to duties being performed by other positions: Part-time Museum Protection and Visitor Services Assistant (05-4109), range 11, located in Juneau Part-time Museum Protection and Visitor Services Assistant 05-4111), range 11, located in Sitka **Fiscal Analyst Comment:** The total number of positions in the Museum Operations allocation is proposed to be reduced from 16 to 14 (11 in Juneau and 3 in Sitka). The number of museum protection and visitor services assistants would be reduced to two full-time positions in Juneau and one full-time and one part-time position in Sitka.
14	Alaska Commission on Postsecondary Education / Program Administration & Operations	Administration of State Programs by the Commission	$431.5 High Ed (DGF)	The Alaska Commission on Postsecondary Education is required by statute to administer the Alaska Performance Scholarship, the Alaska Education Grant, WWAMI, and the State's institutional authorization programs but receives no appropriation to cover the costs of these requirements. The Alaska Student Loan Corporation (ASLC) has been absorbing these costs as de minimis to its overall costs. However, reductions in the size of the loan portfolio result in these costs no longer being de minimis. Statute (AS 14.42) provides that Corporation funds are to be used to finance and operate the loan programs. **Items 14 and 17 are related**.
15	Alaska Commission on Postsecondary Education / Program Administration & Operations	Delete Full-Time Vacant Positions and Reflect Other Cost Saving Measures	($1,057.1) I/A Rcpts (Other) **(7) PFT Positions**	The Alaska Commission on Postsecondary Education has implemented outsourcing and technical efficiencies for the servicing of state loan programs resulting in a decrease of positions. Savings from outsourcing is primarily from position reductions and secondarily from information technology cost reductions no longer needed to maintain a complex loan servicing system. The following full-time vacant positions and associated authority are no longer needed:

Department of Education and Early Development

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
15	Alaska Commission on Postsecondary Education / Program Administration & Operations	Delete Full-Time Vacant Positions and Reflect Other Cost Saving Measures	($1,057.1) I/A Rcpts (Other) **(7) PFT Positions**	(continued) Accountant (05-0206), range 18, located in Juneau Business Lead/Analyst III (05-0402), range 18, located in Juneau Loan Services Supervisor (05-0409), range 18, located in Juneau Customer Service Spec III (05-0429), range 13, located in Juneau Business Lead/Analyst III (05-0431), range 18, located in Juneau Program Coordinator (05-0436), range18, located in Anchorage Programmer/Analyst (05-0301), range 22, located in Anchorage **Items 15 and 16 are related**.
16	Alaska Student Loan Corporation / Loan Servicing	Delete Authority No Longer Needed	($1,057.1) ASLC Rcpts (Other)	This reduction is tied to the deletion of interagency receipts in the Program Administration and Operations allocation for the seven full-time positions and other related cost savings measures. **Fiscal Analyst Comment:** The Alaska Student Loan Corporation (ASLC) operates as an enterprise agency of the State of Alaska - funding and facilitating the work of the Alaska Commission on Postsecondary Education (ACPE). **Items 15 and 16 are related**.
17	Alaska Student Loan Corporation / Loan Servicing	Administration of State Programs by the Commission	($431.5) ASLC Rcpts (Other)	This reduction is tied to the general fund increase in the Program Administration and Operations allocation for the administration of State programs: the Alaska Performance Scholarship, the Alaska Education Grant, WWAMI, and the State's institutional authorization programs. **Fiscal Analyst Comment:** The Alaska Student Loan Corporation (ASLC) operates as an enterprise agency of the State of Alaska - funding and facilitating the work of the Alaska Commission on Postsecondary Education (ACPE). **Items 14 and 17 are related**.
18	Various	Travel Budget Reductions Due to Increased Use of Virtual Meetings	($46.5) Gen Fund (UGF)	In Executive Administration the State Board of Education will reduce in-person meetings from four to one time per year. Student and School Achievement and State System of Support are also reducing travel

Department of Education and Early Development

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
18	Various	Travel Budget Reductions Due to Increased Use of Virtual Meetings	($46.5) Gen Fund (UGF)	(continued) costs by increasing the use of virtual meetings and conferences. Executive Administration: ($21.5) Student and School Achievement: ($10.0) State System of Support: ($15.0)

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2021 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Department of Environmental Conservation

Allocation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Administration									
Office of the Commissioner	1,018.2	1,018.2	1,018.2	1,018.2	1,018.2	0.0		0.0	
Administrative Services	5,751.3	5,751.3	5,751.3	5,396.6	5,751.3	0.0		354.7	6.6 %
State Support Services	3,278.6	3,278.6	3,278.6	3,278.6	2,812.3	-466.3	-14.2 %	-466.3	-14.2 %
Appropriation Total	**10,048.1**	**10,048.1**	**10,048.1**	**9,693.4**	**9,581.8**	**-466.3**	**-4.6 %**	**-111.6**	**-1.2 %**
DEC Bldgs Maint & Operations									
DEC Bldgs Maint & Operations	647.2	647.2	647.2	647.2	647.2	0.0		0.0	
Appropriation Total	**647.2**	**647.2**	**647.2**	**647.2**	**647.2**	**0.0**		**0.0**	
Environmental Health									
Environmental Health	17,380.1	17,380.1	17,380.1	17,380.1	17,380.1	0.0		0.0	
Appropriation Total	**17,380.1**	**17,380.1**	**17,380.1**	**17,380.1**	**17,380.1**	**0.0**		**0.0**	
Air Quality									
Air Quality	10,968.1	10,968.1	10,968.1	10,968.1	10,968.1	0.0		0.0	
Appropriation Total	**10,968.1**	**10,968.1**	**10,968.1**	**10,968.1**	**10,968.1**	**0.0**		**0.0**	
Spill Prevention and Response									
Spill Prevention and Response	20,623.9	19,604.8	19,604.8	19,604.8	18,912.1	-692.7	-3.5 %	-692.7	-3.5 %
Appropriation Total	**20,623.9**	**19,604.8**	**19,604.8**	**19,604.8**	**18,912.1**	**-692.7**	**-3.5 %**	**-692.7**	**-3.5 %**
Water									
Water Quality Infrastructure	25,113.8	21,687.8	21,687.8	22,042.5	22,042.5	354.7	1.6 %	0.0	
Appropriation Total	**25,113.8**	**21,687.8**	**21,687.8**	**22,042.5**	**22,042.5**	**354.7**	**1.6 %**	**0.0**	
Agency Total	**84,781.2**	**80,336.1**	**80,336.1**	**80,336.1**	**79,531.8**	**-804.3**	**-1.0 %**	**-804.3**	**-1.0 %**
Funding Summary									
Unrestricted General (UGF)	15,463.9	15,463.9	15,463.9	15,463.9	15,783.6	319.7	2.1 %	319.7	2.1 %
Designated General (DGF)	25,289.9	24,646.4	24,646.4	24,646.4	23,884.1	-762.3	-3.1 %	-762.3	-3.1 %
Other State Funds (Other)	19,678.3	16,252.3	16,252.3	16,252.3	15,473.1	-779.2	-4.8 %	-779.2	-4.8 %
Federal Receipts (Fed)	24,349.1	23,973.5	23,973.5	23,973.5	24,391.0	417.5	1.7 %	417.5	1.7 %

Department of Environmental Conservation

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Administration / State Support Services	Reduce Authority Associated with Three Positions Deleted in Administrative Services Due to Administrative Efficiencies	**Total: ($466.3)** ($152.7) Fed Rcpts (Fed) ($4.2) GF/Match (UGF) ($135.8) Gen Fund (UGF) ($121.0) Oil/Haz Fd (DGF) ($31.1) Clean Air (Other) ($15.4) Vessel Com (Other) ($6.1) Ocn Ranger (Other)	The Department has recognized operational efficiencies as a result of the implementation of the IRIS accounting system as well as changes to the processes and workflows of related administrative functions. In addition to this reduction, the following three vacant positions in the Financial Services section of the Administrative Services allocation were deleted due to these efficiencies: Full-time Accounting Technician II (18-7636), range 14, located in Juneau Full-time Accountant III (18-7786), range 18, located in Juneau Full-time Accountant III (18-7839), range 18, located in Anchorage
2	Environmental Health / Environmental Health	Replace Commercial Passenger Vessel Environmental Compliance Fees for Shellfish Testing Due to Non-Designated Use	**Net Zero** $459.7 Gen Fund (UGF) ($459.7) Vessel Com (Other)	The Department received an opinion from the Department of Law that the use of Commercial Passenger Vessel Environmental Compliance fees (CPVEC) to fund regulatory testing for commercial shellfish operations violates the Tonnage Clause of the U.S. Constitution. **Fiscal Analyst Comment:** In addition to the constitutional issues brought up by the Department of Law, 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.
3	Spill Prevention and Response / Spill Prevention and Response	Reduce Staffing Levels Due to Oil and Hazardous Substance Release Prevention and Response Account Revenue Shortfall	**Total: ($692.7)** ($29.8) Fed Rcpts (Fed) ($641.3) Oil/Haz Fd (DGF) ($21.6) Vessel Com (Other) **(5) PFT Positions**	This is the second year in a row that the Department has made substantial position reductions due to a shortage in the Oil/Hazard Response fund. This is due in part to declining production of crude oil that provides the $0.04 per/barrel surcharge, and in part to the $0.0095 per/gallon refined fuel surcharge coming in at close to $1 million below what was anticipated. The legislature did not include the Governor's proposed reduction of $1,019.1 and deletion of seven positions in the FY21 operating budget (HB 205), but the Governor subsequently vetoed the funding. The following five positions being proposed for deletion in the FY22 budget are currently vacant. One position in the Program Support Unit

Department of Environmental Conservation

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Spill Prevention and Response / Spill Prevention and Response	Reduce Staffing Levels Due to Oil and Hazardous Substance Release Prevention and Response Account Revenue Shortfall	**Total: ($692.7)** ($29.8) Fed Rcpts (Fed) ($641.3) Oil/Haz Fd (DGF) ($21.6) Vessel Com (Other) **(5) PFT Positions**	(continued) One position in Aleutian/Western Alaska Preparedness and Response Unit Two positions in the Contaminated Sites Program One administrative support position **Fiscal Analyst Comment:** The legislature implemented a new $0.0095 fuel surcharge in FY16 to better support the Department's spill response needs, and in anticipation of this this new revenue some activities that were previously paid for with UGF were switched to the Oil/Hazard Response fund. Last session, SB 115 was put forward to increase that fuel surcharge to $0.015, but it did not pass. Without a more stable revenue source going forward, the Department will likely be forced to further reduce staffing as the balance of the fund continues to decline.
4	Water / Water Quality, Infrastructure Support & Financing	Replace State Revolving Loan Fund Administrative Fees with Federal Receipts	**Net Zero** $600.0 Fed Rcpts (Fed) ($462.5) CleanAdmin (Other) ($137.5) DrinkAdmin (Other)	The Department collects a 5% fee on all loans issued from the Alaska Clean Water and Alaska Drinking Water State Revolving Loan Funds. These fees are used to administer the loan programs. This fund source change replaces some of this authority with available federal grant funds.

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2021 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Department of Fish and Game

Allocation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Commercial Fisheries									
SE Region Fisheries Mgmt.	13,980.5	13,651.7	13,690.7	13,690.7	0.0	-13,690.7	-100.0 %	-13,690.7	-100.0 %
Central Region Fisheries Mgmt.	11,246.3	11,049.1	11,049.1	11,049.1	0.0	-11,049.1	-100.0 %	-11,049.1	-100.0 %
AYK Region Fisheries Mgmt.	9,875.6	9,370.8	9,370.8	9,370.8	0.0	-9,370.8	-100.0 %	-9,370.8	-100.0 %
Westward Region Fisheries Mgmt	14,747.8	14,377.7	14,166.2	14,166.2	0.0	-14,166.2	-100.0 %	-14,166.2	-100.0 %
Statewide Fisheries Management	19,150.2	18,991.2	19,163.7	19,163.7	0.0	-19,163.7	-100.0 %	-19,163.7	-100.0 %
Commercial Fisheries	0.0	0.0	0.0	0.0	72,640.5	72,640.5	>999 %	72,640.5	>999 %
Commercial Fish Entry Commissi	3,125.7	3,125.7	3,125.7	3,083.9	3,083.9	-41.8	-1.3 %	0.0	
Appropriation Total	**72,126.1**	**70,566.2**	**70,566.2**	**70,524.4**	**75,724.4**	**5,158.2**	**7.3 %**	**5,200.0**	**7.4 %**
Sport Fisheries									
Sport Fisheries	43,177.1	43,027.1	43,027.1	42,527.1	42,527.1	-500.0	-1.2 %	0.0	
Sport Fish Hatcheries	5,860.4	5,860.4	5,860.4	5,860.4	5,860.4	0.0		0.0	
Appropriation Total	**49,037.5**	**48,887.5**	**48,887.5**	**48,387.5**	**48,387.5**	**-500.0**	**-1.0 %**	**0.0**	
Wildlife Conservation									
Wildlife Conservation	49,453.6	49,444.6	49,444.6	49,444.6	60,444.6	11,000.0	22.2 %	11,000.0	22.2 %
Hunter Ed Public Shooting Rang	1,007.3	1,007.3	1,007.3	1,007.3	1,107.3	100.0	9.9 %	100.0	9.9 %
Appropriation Total	**50,460.9**	**50,451.9**	**50,451.9**	**50,451.9**	**61,551.9**	**11,100.0**	**22.0 %**	**11,100.0**	**22.0 %**
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	11,751.5	11,751.5	11,751.5	11,751.5	11,751.5	0.0		0.0	
Boards of Fisheries and Game	1,227.0	1,202.5	1,202.5	1,202.5	1,202.5	0.0		0.0	
Advisory Committees	539.5	539.5	539.5	539.5	539.5	0.0		0.0	
EVOS Trustee Council	2,379.4	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	**22,160.1**	**22,135.6**	**22,135.6**	**22,135.6**	**22,135.6**	**0.0**		**0.0**	
Habitat									
Habitat	5,517.0	5,443.0	5,443.0	5,443.0	5,443.0	0.0		0.0	
Appropriation Total	**5,517.0**	**5,443.0**	**5,443.0**	**5,443.0**	**5,443.0**	**0.0**		**0.0**	
Subsistence Research/Monitorin									
Subsistence Research/Monitorin	5,296.5	5,296.5	5,296.5	5,296.5	5,296.5	0.0		0.0	
Appropriation Total	**5,296.5**	**5,296.5**	**5,296.5**	**5,296.5**	**5,296.5**	**0.0**		**0.0**	
Agency Total	**204,598.1**	**202,780.7**	**202,780.7**	**202,238.9**	**218,538.9**	**15,758.2**	**7.8 %**	**16,300.0**	**8.1 %**

2021 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Department of Fish and Game

Allocation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Funding Summary									
Unrestricted General (UGF)	52,597.9	50,780.5	50,780.5	50,780.5	49,997.0	-783.5	-1.5 %	-783.5	-1.5 %
Designated General (DGF)	14,257.3	14,257.3	14,257.3	14,215.5	14,999.0	741.7	5.2 %	783.5	5.5 %
Other State Funds (Other)	67,606.4	67,606.4	67,606.4	67,106.4	69,271.4	1,665.0	2.5 %	2,165.0	3.2 %
Federal Receipts (Fed)	70,136.5	70,136.5	70,136.5	70,136.5	84,271.5	14,135.0	20.2 %	14,135.0	20.2 %

Department of Fish and Game

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Commercial Fisheries / Commercial Fisheries	Eliminate Regional and Statewide Fisheries Management Allocations and Consolidate in New Commercial Fisheries Allocation	n/a	All four regional fisheries management allocations as well as the statewide allocation are combined into a single Commercial Fisheries allocation under the Commercial Fisheries Appropriation. The agency explains that this change will result in administrative efficiencies and more closely reflect the structure of the Wildlife and Sport Fish divisions. This involves the following transfers in *all funds* before FY22 salary adjustments: **Statewide** Regional Fisheries Management: $19,163.7, 82 PFTs, 19 PPTs **Southeast** Region Fisheries Management: $13,690.7, 60 PFTs, 81 PPTs **Central** Region Fisheries Management: $11,049.1, 45 PFTs, 122 PPTs **AYK** Region Fisheries Management: $9,370.8, 35 PFTs, 70 PPTs **Westward** Region Fisheries Management: $14,166.2, 50 PFTs, 79 PPTs **Fiscal Analyst Comment:** The Commercial Fisheries Division has requested this change in order to reduce administrative barriers to managing resources following several years of GF reductions. Currently, PCNs and federal grants are shared across regions, and the agency must submit Revised Program (RP) memos to OMB for approval in order to shift resources between regions for unanticipated survey or staff needs. The regions would still be managed separately by the agency, though Legislative Finance reports would not provide that level of detail.
2	Commercial Fisheries / Commercial Fisheries	Carryforward Language for Dive Fishery Taxes Receipts to Support Related Commercial Fisheries Surveys	**Net Zero**	This wordage was generated inadvertently when the Commercial Fisheries allocation was activated. The legislature can expect to see a Governor's Amendment item removing this carryforward language. **Fiscal Analyst Comment:** The Department of Fish and Game receives Dive Fishery Management Assessment funds through the Department of Revenue to perform specific surveys and stock assessments that the agency requires in order to open fisheries for those resources. Private non-profit regional associations contribute a self-assessed tax on the value of dive fishery resources that are harvested in a designated management area. The Southeast Alaska Regional

Department of Fish and Game

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Commercial Fisheries / Commercial Fisheries	Carryforward Language for Dive Fishery Taxes Receipts to Support Related Commercial Fisheries Surveys	**Net Zero**	(continued) Dive Fisheries Association (SARDFA) is currently the only participant. The Fall 2020 Revenue Source Book lists $0.5 million in revenue for FY20, and extends this projection through FY22.
3	Sport Fisheries / Sport Fisheries	Reverse FY2021 Sport Fish Operations Sec27 Ch8 SLA2020 P91 L28 (HB205)	($500.0) Sportfish (Other)	The Department completed payment on bonds for the construction of the William Jack Hernandez Sport Fish Hatchery in Anchorage, and the Ruth Burnett Sport Fish Hatchery in Fairbanks in 2020. These payments were funded with a $5 surcharge on Sport Fish licenses, authorized under AS 16.05.340(j) through the end of the calendar year in which the bonds were paid off. This also triggers the conclusion of $500.0 in surcharge proceeds that was designated to benefit anglers in Southeast Alaska by supporting sport fish enhancement activities by private non-profit hatcheries. This reduction will impact the Douglas Island Pink and Chum (DIPAC) Hatchery in Juneau, and the Crystal Lake Hatchery in Petersburg. In recent years, DIPAC received $300.0 of these funds, and Crystal Lake received $200.0. **Fiscal Analyst Comment:** In 2020, Governor Dunleavy submitted HB 247 Sport Fish Enhancement Surcharge which would have amended AS 16.05.340(j) to enact a reduced surcharge ($2.50 across all sport fish license types) in order to maintain angler support for sport fish enhancement activities. The bill advanced quickly to Senate Finance where the Sport Fish Hatcheries fiscal note was attached to appropriations bill HB 205, but the session concluded before the bill could pass, so the fiscal note's receipt authority was ultimately backed out of the bill pursuant to Section 2 conditional language.
4	Wildlife Conservation / Wildlife Conservation	Align Budget Authority to Current Revenue Levels for Wildlife Conservation Pittman-Robertson	**Total: $11,000.0** $9,500.0 Fed Rcpts (Fed) $1,500.0 Fish/ Game (Other)	This authority is required to ensure that the Department can secure the full federal apportionment of Pittman-Robertson funds and provide a sufficient amount of Fish and Game funds to meet the 25% state match requirement. Without this authority, the agency's operations will be underfunded, and the State may forfeit a portion of its federal apportionment. In previous years, this authority was shifted to the Capital budget, though the ongoing nature of these projects make the funding an appropriate candidate for inclusion in the operating budget.

Department of Fish and Game

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Wildlife Conservation / Wildlife Conservation	Align Budget Authority to Current Revenue Levels for Wildlife Conservation Pittman-Robertson	**Total: $11,000.0** $9,500.0 Fed Rcpts (Fed) $1,500.0 Fish/ Game (Other)	(continued) **Fiscal Analyst Comment:** The State receives an annual apportionment of federal Pittman-Robertson funds, which are receipts from an excise tax on firearms, ammunition and bow-hunting supplies. Pittman-Robertson funds are used in the Department of Fish and Game for various activites including wildlife management, surveys, habitat restoration, hunter access, and hunter education and safety programs. These funds make up roughly two-thirds of the division's operating budget, and require a 3-1 state match, meaning that the agency can apply for reimbursement of 75% of project costs, provided that 25% is funded with state funds or other funds contributed by non-profits or local and tribal governments. The 116th US Congress considered legislation that would reduce the state match requirement to 10%, as many states have struggled to meet the match requirement amidst years of increased federal apportionment. In the past five years, Alaska's apportionment has ranged between $25-$33 million, and this will likely increase due to record firearm and ammunition sales in 2020 that were driven by increased hunting activity, civil unrest and and the COVID-19 pandemic.
5	Wildlife Conservation / Hunter Education Public Shooting Ranges	Replace Authority for Pittman-Robertson Grant for Shooting Ranges	**Net Zero** $535.0 Fed Rcpts (Fed) ($535.0) Fish/ Game (Other)	In 2019, Congress passed HR 1222, the Target Practice and Marksmanship Training Support Act. This legislation increased the amount of Pittman-Robertson funds that can be used for public target ranges, and reduced the state match requirement from 25% to 10% for the acquisition of land for expanding or constructing target ranges. Furthermore, funds provided for these purposes are now available for five fiscal years, rather than two- allowing states to accumulate funds for larger projects. This fund change will leverage Alaska's high levels of Pittman-Robertson apportionment for its intended purpose, while simultaneously freeing up Fish and Game funds that can be used as state match for these federal funds in the Wildlife Conservation appropriation. **Items 5 and 6 are related.**

Department of Fish and Game

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Wildlife Conservation / Hunter Education Public Shooting Ranges	Pittman-Robertson Grant for Shooting Ranges	$100.0 Fed Rcpts (Fed)	Increased federal receipt authority will allow the Department to provide additional support to the operation of shooting ranges using Pittman Robertson funds. This will ease funding restrictions for existing operations, and allow the agency to increase the availability of services in response to public interest. **Items 5 and 6 are related.**

2021 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Office of the Governor

Allocation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
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	10,693.7	10,693.7	10,693.7	10,693.7	11,115.7	422.0	3.9 %	422.0	3.9 %
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	1,133.7	1,151.7	1,151.7	1,133.7	1,174.6	22.9	2.0 %	40.9	3.6 %
Appropriation Total	**12,812.9**	**12,830.9**	**12,830.9**	**12,812.9**	**13,275.8**	**444.9**	**3.5 %**	**462.9**	**3.6 %**
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									
Admin Services Directors	0.0	0.0	0.0	2,905.1	2,905.1	2,905.1	>999 %	0.0	
Office of Management & Budget	5,770.9	5,770.9	5,770.9	2,865.8	2,655.8	-3,115.1	-54.0 %	-210.0	-7.3 %
Appropriation Total	**5,770.9**	**5,770.9**	**5,770.9**	**5,770.9**	**5,560.9**	**-210.0**	**-3.6 %**	**-210.0**	**-3.6 %**
Elections									
Elections	6,244.6	7,439.1	7,439.1	6,244.6	6,127.1	-1,312.0	-17.6 %	-117.5	-1.9 %
Appropriation Total	**6,244.6**	**7,439.1**	**7,439.1**	**6,244.6**	**6,127.1**	**-1,312.0**	**-17.6 %**	**-117.5**	**-1.9 %**
Agency Total	**28,363.4**	**29,575.9**	**29,575.9**	**28,363.4**	**28,498.8**	**-1,077.1**	**-3.6 %**	**135.4**	**0.5 %**
Funding Summary									
Unrestricted General (UGF)	24,112.6	25,325.1	25,325.1	24,112.6	24,475.2	-849.9	-3.4 %	362.6	1.5 %
Other State Funds (Other)	4,021.8	4,021.8	4,021.8	4,021.8	3,794.6	-227.2	-5.6 %	-227.2	-5.6 %
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 Alaska Development Team Staff from DCCED for Statewide Economic Development	$239.2 Gen Fund (UGF) **2 PFT Positions**	This item transfers two positions and associated UGF funding from the Department of Commerce, Community and Economic Development's Alaska Economic Development (ADT) team. The remaining cost of the positions will be paid for using $182.8 of CIP receipts added in a separate increment. In FY21, $125.0 UGF was transferred from the Office of the Governor to DCCED for the Office of International Trade. That is a separate program from the ADT and is unaffected by this transfer.
2	Executive Operations / Lieutenant Governor	Distribute Alaska Administrative Code to Local Governments	$40.9 Gen Fund (UGF)	In FY21, the legislature approved an increment of $60.0 to distribute the Alaska Administrative Code to local governments. A new contract for publishing this document resulted in increased costs which will be paid for with this increment. By statute, the Lieutenant Governor must supply local governments with a copy of the code free of charge.
3	Office of Management and Budget / Office of Management and Budget Administrative Services Directors	Create Administrative Services Directors Allocation	n/a	This new allocation separates Administrative Service Directors from other OMB functions. All funding in this allocation consists of inter-agency receipts from assigned agencies. This results in a transfer of $2,905.1 of receipt authority and 14 positions.
4	Office of Management and Budget / Office of Management and Budget	Replace Inter-Agency Receipts for Budget Analysts	**Net Zero** $200.0 Gen Fund (UGF) ($200.0) I/A Rcpts (Other)	In FY19, half of the cost of OMB budget analysts was converted to inter-agency receipts at a cost of $497.8, which was charged to state agencies. In FY21 that charge was reduced to $200.0. The FY22 funding source change restores all funding for OMB budget analysts to UGF and eliminates the charge billed to other agencies.
5	Elections / Elections	Transfer Election Worker Salary Adjustments to Language Section	($236.5) Gen Fund (UGF)	In FY21, the legislature approved a numbers-section increment of $236.5 for election worker pay increases. This decrement removes the item from the numbers section. The language section item for Elections (which spreads the cost of elections over two years) is increased by $119.0 as a result.

2021 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Health and Social Services

Appropriation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Alaska Pioneer Homes	98,393.7	104,455.2	104,455.2	104,455.2	104,455.2	0.0		0.0	
Alaska Psychiatric Institute	55,817.0	55,308.5	55,308.5	55,308.5	55,308.5	0.0		0.0	
Behavioral Health	96,967.6	90,045.9	90,045.9	89,108.2	89,127.6	-918.3	-1.0 %	19.4	
Children's Services	175,238.6	175,147.4	175,147.4	175,204.6	176,601.6	1,454.2	0.8 %	1,397.0	0.8 %
Health Care Services	20,142.1	20,447.3	20,447.3	20,428.1	20,135.5	-311.8	-1.5 %	-292.6	-1.4 %
Juvenile Justice	59,173.3	59,173.3	59,173.3	59,132.3	58,145.7	-1,027.6	-1.7 %	-986.6	-1.7 %
Public Assistance	276,176.5	276,176.5	276,176.5	273,962.2	265,813.4	-10,363.1	-3.8 %	-8,148.8	-3.0 %
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	118,305.7	221,362.4	221,362.4	120,508.3	121,668.3	-99,694.1	-45.0 %	1,160.0	1.0 %
Senior and Disabilities Svcs	62,765.2	62,765.2	62,765.2	62,647.6	62,981.7	216.5	0.3 %	334.1	0.5 %
Departmental Support Services	46,409.0	46,184.0	46,184.0	46,102.9	46,102.9	-81.1	-0.2 %	0.0	
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	2,417,397.9	2,417,302.4	2,417,302.4	2,417,183.5	2,382,117.9	-35,184.5	-1.5 %	-35,065.6	-1.5 %
Agency Total	**3,449,821.4**	**3,551,402.9**	**3,551,402.9**	**3,447,076.2**	**3,405,493.1**	**-145,909.8**	**-4.1 %**	**-41,583.1**	**-1.2 %**
Funding Summary									
Unrestricted General (UGF)	1,116,757.7	1,210,161.7	1,210,161.7	1,115,882.6	1,070,645.3	-139,516.4	-11.5 %	-45,237.3	-4.1 %
Designated General (DGF)	88,369.1	82,307.6	82,307.6	82,318.9	89,654.4	7,346.8	8.9 %	7,335.5	8.9 %
Other State Funds (Other)	175,194.1	181,255.6	181,255.6	180,853.7	178,843.1	-2,412.5	-1.3 %	-2,010.6	-1.1 %
Federal Receipts (Fed)	2,069,500.5	2,077,678.0	2,077,678.0	2,068,021.0	2,066,350.3	-11,327.7	-0.5 %	-1,670.7	-0.1 %

Department of Health and Social Services

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Alaska Psychiatric Institute / Alaska Psychiatric Institute	Add MHT Reserve Funding to Support Client Services - Paired with Decrement of Unrealizable I/A and SDPR	$6,000.0 MHTReserve (DGF)	The Alaska Psychiatric Institute (API) has struggled to operate at full capacity over the last few years and routinely requests additional funding to their base budget. This $6 million FY22 base increase would utilize a new fund source, the Mental Health Trust Reserve Fund (code 1268), to offset unrealizable receipts. Recent budget increases to API include: **FY19 Supplemental** - $7 million UGF **FY20 Increment -** $4.7 million UGF, $5.3 million SDPR **FY20 Supplemental** - $6 million UGF **FY21 Increment:** $2.5 million UGF, 5.1 million I/A, $1.7 million SDPR. Additionally, DHSS utilized cross-appropriation transfer authority to supplement API's budget with $8.3 million UGF in FY20. **Fiscal Analyst Comment:** The Department requested this action as a fund change (see item 2). Legislative Finance converted the fund change to an Inc/Dec pair because they are severable decisions and utilize a new mental health fund source not yet endorsed by the Mental Health Trust Authority. The Board of Trustees of the Alaska Mental Health Trust Authority approves an annual budget and submits the approved budget, which includes recommended expenditures from the general fund during the next fiscal year to meet operating and capital expenses of the integrated comprehensive mental health program, to the Governor and Legislative Budget & Audit Committee no later than September 15th. The recommendations may or may not be included in the Governor's budget request to the legislature. **New Fund Code Description**: The Mental Health Trust Reserve Fund was established in the Governor's December 2020 budget submission in both the supplemental budget for FY21 and the FY22 budget. It consists of funds in the Mental Health Trust settlement income account that are in excess of the amount needed for the Trust's reserve requirements.

Department of Health and Social Services

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Alaska Psychiatric Institute / Alaska Psychiatric Institute	Add MHT Reserve Funding to Support Client Services - Paired with Decrement of Unrealizable I/A and SDPR	$6,000.0 MHTReserve (DGF)	(continued) AS 37.14.041(a) restricts money in the Mental Health Trust settlement income account to purposes related to the Trust's mission. Section (b) of that statute further states that "If money in the mental health trust settlement income account is not needed to meet the necessary expenses of the state's integrated comprehensive mental health program, the authority shall transfer the money to the unrestricted general fund for expenditure through legislative appropriation for other public purposes." The Department has indicated that if requested funding for FY20 and FY21 is not approved, API will not be able to meet the accreditation and regulatory requirements of the Joint Commission and Centers for Medicare & Medicaid Services (CMS) including environment of care, safety, medical supplies and equipment. **Items 1, 2, and 3 are related.**
2	Alaska Psychiatric Institute / Alaska Psychiatric Institute	Reduce Unrealizable Receipts - Paired with MHT Reserve Increment to Support Client Services at API	**Total: ($6,000.0)** ($2,000.0) I/A Rcpts (Other) ($4,000.0) Stat Desig (Other)	This decrement represents the negative component of the Department's requested fund change (see item 1) to offset unrealizable receipts with Mental Health Trust Reserve Funds. API receives SDPR through private pay and insurance companies; I/A receipts come through Medicaid and Disproportionate Share Hospital (DSH) payments. API has been unable to fully collect these receipts while the facility has not been at full capacity. **Items 1, 2, and 3 are related**.
3	Alaska Psychiatric Institute / Alaska Psychiatric Institute	Support Client Services at the Alaska Psychiatric Institute **Supplemental**	$6,000.0 MHTReserve (DGF)	This supplemental funding request utilizes the Mental Health Trust Reserve Fund (code 1268) which has not yet been approved by the Mental Health Trust. Although the facility has 80 licensed beds, reduced capacity has hovered between 40-60 beds in recent years while API seeks stabilization. **COVID-19 Update:** At the beginning of the COVID-19 pandemic, API began moving patients and staff across four of the five units to maximize social distancing and mitigate the potential spread of COVID-19. One unit was set up as a potential quarantine unit and has not been utilized for

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	Support Client Services at the Alaska Psychiatric Institute **Supplemental**	$6,000.0 MHTReserve (DGF)	(continued) admissions. API successfully increased capacity to 61 treatment beds on 10/1/2020 and is working to expand capacity to 71 beds in April 2021. As of January 9, 2021, 55 beds were filled. **Items 1, 2, and 3 are related**.
4	Behavioral Health / Behavioral Health Treatment and Recovery Grants	Reduce Authority for Sobering Centers Transitioning to Medicaid 1115 Waiver	($200.0) GF/MH (UGF)	Relatively speaking, this is a moderate reduction to the program. Since implementation of Ch. 25, SLA 2016 (SB 74) Medicaid Reform legislation in FY17, Behavioral Health Treatment and Recovery Grants has experienced general fund reductions of $26.2 million. The majority of these reductions are attributable to payment of services being transitioned to Medicaid under the 1115 demonstration waiver. As a result, authority can be reduced due to federal reimbursement of services.
5	Children's Services / Children's Services Training	Reduce Travel Costs for Child Welfare Academy due to Expanded Virtual Training	**Total: ($150.0)** ($64.5) Fed Rcpts (Fed) ($32.2) GF/Match (UGF) ($53.3) Gen Fund (UGF)	During the COVID-19 pandemic, caseworker training provided through the Child Welfare Academy went virtual. Prior to this, new caseworkers traveled to Anchorage for five weeks of training. The virtual training will continue and reduce travel costs related to lodging, airfare, ground transportation, and per diem. Instead there will be staff designated as mentors, who will travel throughout the state and work individually with new staff. **Items 5 and 6 are related**.
6	Children's Services / Children's Services Training	Reduce Child Welfare Academy Reimbursable Service Agreement Due to Efficiencies	**Total: ($127.9)** ($55.0) Fed Rcpts (Fed) ($29.2) GF/Match (UGF) ($43.7) Gen Fund (UGF)	The COVID-19 pandemic has allowed the Child Welfare Academy to increase reliance on virtual training for all case carrying staff. In addition, the Division of Personnel and Labor Relations is launching its Pathways project, which will provide for training videos, competency validation, and transcripts to bolster continued virtual training. **Items 5 and 6 are related**.
7	Children's Services / Front Line Social Workers	Reduce Kenai and Juneau Security Guard Hours to Align with Client Activities	**Total: ($90.5)** ($32.6) Fed Rcpts (Fed) ($57.9) Gen Fund (UGF)	Currently, the full-time, contracted Kenai and Juneau field office guards are stationed in the office daily during working hours and monitor all employees and visitors entering the office, provide escort service for staff to personal vehicles, notify police when dangerous weapons are detected, and patrol the office and surrounding areas. The recent installation of a video surveillance system will assist in ensuring employee safety when the security guard is not

Department of Health and Social Services

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Children's Services / Front Line Social Workers	Reduce Kenai and Juneau Security Guard Hours to Align with Client Activities	**Total: ($90.5)** ($32.6) Fed Rcpts (Fed) ($57.9) Gen Fund (UGF)	(continued) present. The reductions are proposed as follows: Kenai - ($16.2) Federal, ($28.8) UGF Juneau - ($16.4) Federal), ($29.1) UGF
8	Children's Services / Front Line Social Workers	Transition to Laptop Computers for Protective Services Specialists	**Total: ($291.0)** ($104.8) Fed Rcpts (Fed) ($186.2) Gen Fund (UGF)	Through the computer refresh process, the Office of Children's Services has worked to shift computers for protective services specialists, licensing staff, supervisors and managers to laptops with docking stations. This effort has reduced the need for staff who travel or work in the field to have both a desktop and laptop computer. Since device counts are used as the mechanism for chargebacks by other agencies, the cost savings for the Office of Children's Services is significant.
9	Children's Services / Front Line Social Workers	Reduce the Circles of Support Social Services Block Grant, Title IVB-I and Title IVB-II	($412.8) Gen Fund (UGF)	With the reduction of the Circles of Support grant program, the Department will instead use Social Services Block Grant, Title IVB-I, and Title IVB-II federal funds to provide services to the same categories of clients. **Fiscal Analyst Comment:** The Department states that the program is being reduced by 50% because it has been underutilized. There are other OCS programs that provide prevention and in home services, such as the new OCS grant program, titled "Family First Prevention Services for Tribal Title IV-E Agencies".
10	Children's Services / Family Preservation	Reduce Circles of Support Grant Program by Fifty Percent Utilizing Block and Title IVB I / II Grants	**Total: ($573.0)** ($528.2) Fed Rcpts (Fed) ($44.8) Gen Fund (UGF)	The Circles of Support grant program provides services for families whose children are either unsafe or safe but at high risk of future maltreatment. In FY19, 39 percent of allocated grant funds remained unexpended. The federal Social Services Block Grant, Title IVB-I and Title IVB-II funds will be used instead to serve the same categories of clients. The reduction will impact seven grantees located in Anchorage, Mat-Su, Fairbanks, Juneau, Valdez, and Nome.
11	Children's Services / Family Preservation	Family First Prevention Services Act for Infants with Prenatal Substance Exposure (FY22-FY24)	$1,079.9 Fed Rcpts (Fed) **MultiYr**	The Family First Transition Act, passed in December 2019 by Congress, provided Alaska a $1,079.9 grant award under the Title IV-B-I (Stephanie Tubbs Child Welfare Services Program). Alaska intends to use the grant award, which does not require a state match, over three years to support implementation of a Plans of Safe Care Program, and other prevention services.

Department of Health and Social Services

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
12	Children's Services / Subsidized Adoptions & Guardianship	Growing Number of Children in State-Subsidized Adoptions and Guardianship	$2,400.0 Fed Rcpts (Fed)	Between FY15 and the first quarter of FY21, the number of children living in permanent homes assisted through subsidized adoptions and guardianships has increased 20%, growing from 3,309 to 3,984. Some contributing factors include: annual rate of children in out-of-home placement grew during this period, the special needs of many of these children are increasingly complex in nature, and many of the families require the maximum amount allowable based on the child's needs and the rising cost of treatment services. Additional federal receipt authority is requested to keep pace with the need.
13	Health Care Services / Medical Assistance Administration	Delete Authority No Longer Needed for Building Space Lease	**Total: ($292.6)** ($146.3) Fed Rcpts (Fed) ($146.3) GF/Match (UGF)	The lease at Business Park Building L in Anchorage is ending and will not be renewed. The section will set up workstations in other office locations to enable staff to work alternate days as needed.
14	Juvenile Justice / McLaughlin Youth Center	Eliminate Positions and Funding Associated with the Step-Up Program	**Total: ($336.4)** ($310.7) Gen Fund (UGF) ($25.7) Stat Desig (Other) **(3) PFT Positions**	The Division of Juvenile Justice currently provides staff that supervise and teach Aggression Replacement Training (ART), an anger management program, to at risk youth enrolled in the Anchorage School District. The Division of Juvenile Justice will train Anchorage School District staff to teach ART. This decrement includes the elimination of the following positions along with funding: Juvenile Justice Officer II (06-3550), range 13, located in Anchorage Juvenile Justice Officer I (06-3982), range 11, located in Anchorage Juvenile Justice Officer III (06-4809), range 15, located in Anchorage
15	Juvenile Justice / Probation Services	Delete Program Coordinator I (06-4510) in Fairbanks	($134.3) Gen Fund (UGF) **(1) PFT Position**	According to the Department, this Program Coordinator I (06-4510), range 18, located in Fairbanks is the Division of Juvenile Justice's Rural Specialist who assists in identifying cultural programming and activities for youth at the Fairbanks Youth Facility. The Department states that probation staff have learned appropriate etiquette in working with tribal governments and can continue to perform their work effectively without this position.

Department of Health and Social Services

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
15	Juvenile Justice / Probation Services	Delete Program Coordinator I (06-4510) in Fairbanks	($134.3) Gen Fund (UGF) **(1) PFT Position**	(continued) **Fiscal Analyst Comment:** It is unclear how the determination was made that there is not a continuing need for this position. This position is currently filled with a planned retirement in the Spring of 2021.
16	Juvenile Justice / Probation Services	Delete Social Services Associate (06-3659) in Dillingham	($118.6) Gen Fund (UGF) **(1) PFT Position**	Duties of this full-time, Social Services Associate (06-3659), range 12, located in Dillingham will be reassigned to remaining staff in the office or hub areas. **Fiscal Analyst Comment:** It is unclear how the determination was made that there is not a continuing need for this currently filled position.
17	Juvenile Justice / Probation Services	Delete Vacant Positions from Juvenile Justice	($259.1) Gen Fund (UGF) **(3) PFT Positions**	The following vacant positions and UGF funding are proposed for deletion: 1. Juvenile Probation Officer I/II in Valdez, ($101.2) 2. Juvenile Justice Officer I in Nome, ($96.6) 3. Office Assistant I in Anchorage, (61.3).
18	Public Assistance / Public Assistance Field Services	Delete Public Assistance Positions Due to Efficiencies	**Total: ($7,010.2)** ($3,577.3) Fed Rcpts (Fed) ($3,432.9) GF/ Match (UGF) **(101) PFT Positions**	In addition to savings attributable to telework and advancing technology, a reduction in Department of Administration and DHSS Departmental Support Services' chargeback costs is also anticipated following the elimination of these positions. **Fiscal Analyst Comment:** The Division of Public Assistance (DPA) intends to handle the deleted positions through attrition. Since 2018, DPA has effectively reduced its backlog (applications taking longer than 45 days to process) from 14,001 in December, 2018 to 648 in December, 2020. In 2018, processing time for applications was averaging 100 days; currently, average processing time frames are within 3-5 days. These efforts have contributed to DPA's administrative efficiencies and enable DPA to project budget reductions.
19	Public Assistance / Public Assistance Field Services	Public Assistance Telecom Savings	**Total: ($130.2)** ($65.1) Fed Rcpts (Fed) ($65.1) GF/Match (UGF)	The Department expects to eliminate the need for desktop phones in offices by implementing a virtual call center that will utilize software to place and receive phone calls. **Fiscal Analyst Comment:** The Department will implement these changes using the same vendor and software utilized by the Department of Labor and Workforce Development's call center.

Department of Health and Social Services

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
20	Public Assistance / Public Assistance Field Services	Public Assistance Supplies Reduction	**Total: ($320.0)** ($160.0) Fed Rcpts (Fed) ($160.0) GF/Match (UGF)	By making renewal and recertification processes for all benefit programs available electronically, the Department estimates Electronic Document Management (EDM) savings from reduced usage of paper, postage and envelopes. **Items 20 and 21 are related**
21	Public Assistance / Public Assistance Field Services	Public Assistance Postage Reduction	**Total: ($688.4)** ($344.2) Fed Rcpts (Fed) ($344.2) GF/Match (UGF)	Renewal notices are sent out two times per benefit program for every recertification period. This constitutes multiple costs for paper, postage and envelopes for every recipient of the various benefits programs. A reduction in the services line is anticipated by having an electronic renewal and recertification option as well as electronic notices available to recipients. **Items 20 and 21 are related**
22	Public Health / Epidemiology	AIDS Drug Assistance Program	$895.0 Stat Desig (Other)	The AIDS Drug Assistance Program (ADAP) provides FDA-approved HIV-related prescription drugs to underinsured and uninsured individuals living with HIV/AIDS who meet certain eligibility requirements. Supporting this program will allow more prescription drugs to be purchased and prescribed to eligible individuals. The source of SDPR for this program is insurance reimbursement under the federal Health Resources and Services Administration AIDS Drug Assistance Program.
23	Senior and Disabilities Services / General Relief/Temporary Assisted Living	Reduce Authority in General Relief/Temporary Assisted Living	($164.9) Gen Fund (UGF)	The department reports that the number of applicants utilizing assistance through the General Relief Assisted Living Home Program has decreased. Per the Alaska Administrative Code (7 AAC 47.465), applicants will receive funding as it becomes available. **Fiscal Analyst Comment:** When the General Relief Unit first implemented their waitlist in May 2019, there were a significant number of applicants on the waitlist and the wait was several months to a year. During that time, many of the applicants found alternatives to the General Relief program and were able to pursue other options.

Department of Health and Social Services

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
24	Medicaid Services / Medicaid Services	Numbers Section Reduction Associated with Language Section Reappropriation of FY21 UGF Lapse	($35,065.6) GF/ Match (UGF)	This decrement is associated with backstop language that provides a cushion of up to $35 million of unspent FY21 Medicaid funding. Non-contingent carryforward appropriations crossing fiscal years make it difficult to provide a clear budget picture to the public and artificially lower the FY22 budget. **COVID-19 Update:** Medicaid Services lapsed an anomalous amount of $59.1 million UGF in FY20 due to a 6.2% increase to the regular Medicaid Federal Medical Assistance Percentage (FMAP) as well as lower utilization during the lockdown. The enhanced FMAP is currently set to expire on 6/30/2021. **Fiscal Analyst Comment:** To ensure that the UGF amount in the FY22 budget is a true representation of likely UGF expenditures, it may make more sense to wait until the FY23 budget cycle to implement section 1 reductions that do not require backstop language which can distort reporting of actual program savings. The Department acknowledges the enhanced FMAP may not continue into FY22 but has not provided the underlying assumptions used to calculate the projected savings for FY22.
25	Medicaid Services / Medicaid Services	Open Ended Federal Receipt Authority	**Net Zero**	The legislature approved open-ended federal authority in FY20 and FY21 in response to COVID-19. The Department has indicated that this authority is requested for both COVID and non-COVID activities.

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2021 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Labor and Workforce Development

Appropriation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Commissioner and Admin Svcs	35,299.2	35,299.2	35,299.2	35,917.7	35,464.7	165.5	0.5 %	-453.0	-1.3 %
Workers' Compensation	11,269.0	11,269.0	11,269.0	10,869.0	11,269.0	0.0		400.0	3.7 %
Labor Standards and Safety	11,252.6	11,128.2	11,128.2	11,128.2	11,019.7	-108.5	-1.0 %	-108.5	-1.0 %
Employment & Training Services	52,897.6	52,897.6	52,897.6	52,279.1	52,279.1	-618.5	-1.2 %	0.0	
Vocational Rehabilitation	25,416.0	25,416.0	25,416.0	25,416.0	25,416.0	0.0		0.0	
AVTEC	15,402.2	15,402.2	15,402.2	15,402.2	15,402.2	0.0		0.0	
Agency Total	**151,536.6**	**151,412.2**	**151,412.2**	**151,012.2**	**150,850.7**	**-561.5**	**-0.4 %**	**-161.5**	**-0.1 %**
Funding Summary									
Unrestricted General (UGF)	18,775.0	18,650.6	18,650.6	18,650.6	17,426.3	-1,224.3	-6.6 %	-1,224.3	-6.6 %
Designated General (DGF)	38,832.5	38,832.5	38,832.5	38,432.5	38,832.5	0.0		400.0	1.0 %
Other State Funds (Other)	17,379.2	17,379.2	17,379.2	17,379.2	17,379.2	0.0		0.0	
Federal Receipts (Fed)	76,549.9	76,549.9	76,549.9	76,549.9	77,212.7	662.8	0.9 %	662.8	0.9 %

Department of Labor and Workforce Development

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Workers' Compensation / Second Injury Fund	Restore Omnibus Workers' Compensation Ch91 SLA2018 (HB79)	$400.0 Sec Injury (DGF)	The referenced fiscal note had projected additional annual reductions of ($400.0) in the Second Injury Fund (SIF). However, 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. This will take decades for the fund liabilities to be fully absolved and therefore, the division will require the $400.0 expenditure authority to make payments from the fund.
2	Employment and Training Services / Various	Open-Ended Federal Receipt Authority Associated with COVID-19	**Net Zero**	Open-ended federal receipt authority was added to the Employment and Training Services appropriation in sec. 29(e) & (f), ch, 8, SLA 2020 for the purposes of receiving federal awards associated with COVID-19. This includes receiving federal funding to make unemployment insurance payments. Similar language is added to the Governor's FY22 budget proposal.
3	Vocational Rehabilitation / Client Services	Decrease General Fund Match to Client Services' Basic Support Federal Grant	**Net Zero** $662.8 Fed Rcpts (Fed) ($662.8) GF/Match (UGF)	This is a one-time fund change as the department plans to leverage available federal funds for FY22 and will re-evaluate the general fund match need for FY23.
4	Various	UGF Savings Associated with Administrative Efficiencies and Positions No Longer Needed	**Total: ($561.5)** ($41.7) GF/Match (UGF) ($519.8) Gen Fund (UGF) **(3) PFT Positions**	UGF decrements associated with administrative efficiencies and positions no longer needed in the following appropriations/allocations: **Commissioner and Administrative Services Total: ($453.0 UGF) and (1 PFT)** -Commissioner's Office ($57.2 UGF) - split funding and duties of Executive Secretary position with the Workforce Investment Board -Alaska Labor Relations Agency ($60.4 UGF) - administrative efficiencies -Management Services ($66.9 UGF) - reduce funding no longer needed for Shared Services of Alaska chargeback costs -Data Processing ($29.6 UGF) - business process realignment savings -Labor Market Information ($238.9) and (1 PFT) - savings from renegotiating Reimbursable Services Agreements and delete Research Analyst position **Labor Standards and Safety Total: (108.5 GF) and (2 PFTs)** -Wage and Hour Administration ($66.8 UGF) and (1 PFT-) delete vacant Office Assistant position

Department of Labor and Workforce Development

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Various	UGF Savings Associated with Administrative Efficiencies and Positions No Longer Needed	**Total: ($561.5)** ($41.7) GF/Match (UGF) ($519.8) Gen Fund (UGF) **(3) PFT Positions**	(continued) Occupational Safety and Health ($41.7 GF Match) and (1 PFT) - delete vacant Administrative Assistant position

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2021 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Department of Law

Allocation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to	Gov	[5] - [4] Adj Base to	Gov
Civil Division									
Dep. Attny General's Office	285.4	285.4	285.4	285.4	285.4	0.0		0.0	
Child Protection	7,497.4	7,497.4	7,497.4	7,497.4	7,497.4	0.0		0.0	
Commercial and Fair Business	5,704.2	5,704.2	5,542.7	5,367.7	5,367.7	-175.0	-3.2 %	0.0	
Environmental Law	1,926.5	1,926.5	1,926.5	1,926.5	1,926.5	0.0		0.0	
Human Services	3,371.8	3,271.7	3,271.7	3,171.6	3,271.7	0.0		100.1	3.2 %
Labor and State Affairs	4,588.9	4,588.9	4,665.4	4,840.4	4,840.4	175.0	3.8 %	0.0	
Legislation/Regulations	1,311.2	1,311.2	1,396.2	1,396.2	1,396.2	0.0		0.0	
Natural Resources	7,818.7	7,898.0	7,898.0	7,818.7	7,818.7	-79.3	-1.0 %	0.0	
Opinions, Appeals and Ethics	2,399.4	2,399.4	2,279.4	2,279.4	2,279.4	0.0		0.0	
Reg Affairs Public Advocacy	2,848.0	2,848.0	2,848.0	2,848.0	2,848.0	0.0		0.0	
Special Litigation	1,587.6	1,587.6	1,642.6	1,642.6	1,642.6	0.0		0.0	
Information & Project Support	2,021.9	2,021.9	2,021.9	1,868.9	1,868.9	-153.0	-7.6 %	0.0	
Torts & Workers' Compensation	4,143.0	4,143.0	4,208.0	4,361.0	4,361.0	153.0	3.6 %	0.0	
Transportation Section	2,632.3	2,632.3	2,632.3	2,632.3	2,632.3	0.0		0.0	
Appropriation Total	**48,136.3**	**48,115.5**	**48,115.5**	**47,936.1**	**48,036.2**	**-79.3**	**-0.2 %**	**100.1**	**0.2 %**
Criminal Division									
First Judicial District	2,074.4	2,074.4	2,424.4	2,424.4	2,739.4	315.0	13.0 %	315.0	13.0 %
Second Judicial District	2,437.2	2,437.2	2,637.2	2,445.1	2,930.1	292.9	11.1 %	485.0	19.8 %
Third Judicial: Anchorage	7,869.6	7,869.6	8,069.6	8,069.6	8,629.6	560.0	6.9 %	560.0	6.9 %
Third JD: Outside Anchorage	5,492.9	5,492.9	5,592.9	5,785.0	6,262.0	669.1	12.0 %	477.0	8.2 %
Fourth Judicial District	6,346.9	6,346.9	6,496.9	6,496.9	7,088.9	592.0	9.1 %	592.0	9.1 %
Criminal Justice Litigation	4,170.9	4,170.9	3,020.9	3,020.9	3,020.9	0.0		0.0	
Criminal Appeals/Special Lit	7,918.1	7,918.1	8,068.1	8,068.1	8,639.1	571.0	7.1 %	571.0	7.1 %
Appropriation Total	**36,310.0**	**36,310.0**	**36,310.0**	**36,310.0**	**39,310.0**	**3,000.0**	**8.3 %**	**3,000.0**	**8.3 %**
Administration and Support									
Office of the Attorney General	959.6	959.6	959.6	959.6	959.6	0.0		0.0	
Administrative Services	3,158.4	3,158.4	3,158.4	3,158.4	3,158.4	0.0		0.0	
Law State Facilities Rent	846.3	846.3	846.3	846.3	846.3	0.0		0.0	
Appropriation Total	**4,964.3**	**4,964.3**	**4,964.3**	**4,964.3**	**4,964.3**	**0.0**		**0.0**	
Janus v AFSCME Legal Contracts									
Janus v AFSCME Legal Contracts	20.0	0.0	0.0	0.0	0.0	0.0		0.0	
Appropriation Total	**20.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**		**0.0**	
Agency Total	89,430.6	89,389.8	89,389.8	89,210.4	92,310.5	2,920.7	3.3 %	3,100.1	3.5 %

2021 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Department of Law

Allocation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Funding Summary									
Unrestricted General (UGF)	52,203.6	52,162.8	52,162.8	51,983.4	53,793.4	1,630.6	3.1 %	1,810.0	3.5 %
Designated General (DGF)	2,691.5	2,691.5	2,691.5	2,691.5	2,691.5	0.0		0.0	
Other State Funds (Other)	32,509.1	32,509.1	32,509.1	32,509.1	33,799.2	1,290.1	4.0 %	1,290.1	4.0 %
Federal Receipts (Fed)	2,026.4	2,026.4	2,026.4	2,026.4	2,026.4	0.0		0.0	

Department of Law

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Civil Division / Deputy Attorney General's Office	Rename 'Civil Division Except Contracts Relating to Interpretation of Janus v AFSCME' Appropriation as Civil Division	n/a	In FY21 the legislature changed the name of the Civil Division to Civil Division Except Contracts Relating to Interpretation of Janus v AFSCME to convey that the Department should cease to expend State funds on civil litigation related to Janus v. American Federation of State, County, and Municipal Employees (AFSCME). To further that point, the legislature also established a new appropriation titled 'Janus v AFSCME Legal Contracts' and provided $20.0 UGF in order to stand up the appropriation. The Governor vetoed the $20.0 UGF which removed the appropriation from the budget structure. The Governor's FY22 budget request restores the name of this appropriation back to the Civil Division. **Fiscal Analyst Comment:** In FY21 the legislature considered intent language that would further emphasize that the agency should not use Civil Division funds for contracts related to interpretation of the Janus v AFSCME decision. This language was removed from the operating bill in conference, but remained in the mental health bill which did not make it to conference. While the Governor cannot veto intent, a veto was used to remove all funding under the Department of Law ($100.1 of MHTAAR for Human Services) which eliminated the associated appropriation, thereby removing the intent as well. While interesting, this is ultimately inconsequential as the intent would have only applied to that already-restricted MHTAAR funding.
2	Criminal Division / Various	Establish Memoranda of Agreement with Local Governments to Support Misdemeanor Prosecutions	**Net Zero** ($1,290.1) Gen Fund (UGF) $1,290.1 Stat Desig (Other)	Home rule municipalities and unified boroughs have the authority to prosecute misdemeanors, though the State generally provides this service. This added Statutory Designated Program Receipt (SDPR) authority will allow the State to establish Memorandum of Agreement (MOA) contracts with local governments, and charge the communities for prosecution services based on the average yearly misdemeanor prosecution volumes. The agency has entered into preliminary discussions with several local governments regarding these agreements. At this time, the Department does not intend to pursue MOAs with the Municipality of Anchorage or City and Borough of Juneau, as both local governments provide for the majority of their own misdemeanor prosecutions.

Department of Law

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Criminal Division / Various	Establish Memoranda of Agreement with Local Governments to Support Misdemeanor Prosecutions	**Net Zero** ($1,290.1) Gen Fund (UGF) $1,290.1 Stat Desig (Other)	(continued) **Criminal Division Total: $1,290.1 SDPR / ($1,290.1 UGF)** First Judicial District: $311.3 SDPR / ($311.3 UGF) Second Judicial District: $191.6 SDPR / ($191.6 UGF) Third Judicial District, Outside Anchorage: $354.6 SDPR / ($354.6 UGF) Fourth Judicial District: $432.6 SDPR / ($432.6 UGF) **Fiscal Analyst Comment:** SDPR authority is used to fund an extraordinary level of service that would not occur if the receipts were not generated. This means that without the funding, the agency will not perform the service. By contrast, General Fund Program Receipts (GF/PR) are used when the State charges a service-based fee. With the Department's plan to charge communities based on average yearly misdemeanor prosecution volumes, this may be more appropriate as GF/PR. It is important to note to that unspent GF/PR lapses back to the general fund without carryforward language, whereas SDPR does not. Unspent SDPR can either be maintained by the agency, or returned to the contributing party based on the terms of the contract under which the funds are received.
3	Criminal Division / Various	Add 10 Attorneys and 9 Support Staff for Timely Processing of Sexual Assault and Sexual Abuse of Minor Cases	$3,000.0 Gen Fund (UGF) **19 PFT Positions**	Alaska has the highest rate of sexual assault in the United States; four times the national average. The Department reports that there are currently 1,020 sexual assault and sexual abuse of minor cases pending trial, and prosecutors manage an average of 68 cases. This would reduce the average caseload to 40 cases per prosecutor, and the agency hopes that it will alleviate employee burnout in addition to enhancing the State's ability to manage these cases without displacing other types of prosecutions. Positions and funding are added in the following locations: **First Judicial District: $315.0 and 2 PFTs** Attorney IV and Paralegal II in Juneau **Second Judicial District: $485.0 and 3 PFTs** Attorney IV, Paralegal II, and Law Office Assistant I in Nome **Third Judicial District, Anchorage: $560.0 and 4 PFTs** Two Attorney IVs, Paralegal II, and Law Office

Department of Law

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Criminal Division / Various	Add 10 Attorneys and 9 Support Staff for Timely Processing of Sexual Assault and Sexual Abuse of Minor Cases	$3,000.0 Gen Fund (UGF) **19 PFT Positions**	(continued) Assistant I **Third Judicial District, Outside Anchorage: $477.0 and 3 PFTs** Attorney IV and Paralegal in Palmer, and Attorney IV in Kenai **Fourth Judicial District: $592.0 and 3 PFTs** Attorney IV and Paralegal II in Bethel, and Attorney IV in Fairbanks **Criminal Appeals/Special Litigation: $571.0 and 4 PFTs** Two Attorney IVs, Paralegal II, and Law Office Assistant I in Anchorage

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2021 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Department of Military and Veterans' Affairs

Allocation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Military and Veterans' Affairs									
AK Public Safety Communic. Svc	0.0	0.0	0.0	0.0	9,449.6	9,449.6	>999 %	9,449.6	>999 %
ALMR	4,263.1	4,263.1	4,263.1	4,263.1	0.0	-4,263.1	-100.0 %	-4,263.1	-100.0 %
SATS	5,017.8	5,017.8	5,017.8	5,017.8	0.0	-5,017.8	-100.0 %	-5,017.8	-100.0 %
Office of the Commissioner	5,992.1	5,992.1	5,992.1	5,667.7	5,535.2	-456.9	-7.6 %	-132.5	-2.3 %
Homeland Security & Emerg Mgt	9,824.4	9,824.4	9,824.4	9,824.4	8,618.6	-1,205.8	-12.3 %	-1,205.8	-12.3 %
Army Guard Facilities Maint.	10,624.9	10,624.9	10,624.9	10,787.7	11,950.2	1,325.3	12.5 %	1,162.5	10.8 %
Air Guard Facilities Maint.	6,974.8	6,974.8	6,974.8	7,136.4	6,931.0	-43.8	-0.6 %	-205.4	-2.9 %
Alaska Military Youth Academy	9,773.7	9,773.7	9,773.7	9,773.7	9,773.7	0.0		0.0	
Veterans' Services	2,224.8	2,224.8	2,224.4	2,224.4	2,210.8	-13.6	-0.6 %	-13.6	-0.6 %
State Active Duty	325.0	325.0	325.0	325.0	325.0	0.0		0.0	
Civil Air Patrol	250.0	0.0	0.0	0.0	0.0	0.0		0.0	
Appropriation Total	**55,270.6**	**55,020.6**	**55,020.2**	**55,020.2**	**54,794.1**	**-226.1**	**-0.4 %**	**-226.1**	**-0.4 %**
Alaska Aerospace Corporation									
Alaska Aerospace Corporation	4,228.1	4,228.1	4,076.4	4,076.4	4,076.4	0.0		0.0	
AAC Facilities Maintenance	6,564.3	6,564.3	6,716.0	6,716.0	6,716.0	0.0		0.0	
Appropriation Total	**10,792.4**	**10,792.4**	**10,792.4**	**10,792.4**	**10,792.4**	**0.0**		**0.0**	
Agency Total	**66,063.0**	**65,813.0**	**65,812.6**	**65,812.6**	**65,586.5**	**-226.1**	**-0.3 %**	**-226.1**	**-0.3 %**
Funding Summary									
Unrestricted General (UGF)	23,206.2	22,956.2	22,956.2	22,956.2	22,026.8	-929.4	-4.0 %	-929.4	-4.0 %
Designated General (DGF)	186.2	186.2	186.2	186.2	186.2	0.0		0.0	
Other State Funds (Other)	9,748.3	9,748.3	9,747.9	9,747.9	12,051.7	2,303.8	23.6 %	2,303.8	23.6 %
Federal Receipts (Fed)	32,922.3	32,922.3	32,922.3	32,922.3	31,321.8	-1,600.5	-4.9 %	-1,600.5	-4.9 %

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 Public Safety Communication Services (APSCS)	Establish New Allocation for Alaska Public Safety Communication Services (APSCS)	n/a	The Department believes that the current State of Alaska Telecommunications System (SATS) and the Alaska Land Mobile Radio (ALMR) allocations no longer accurately describe the service and functions currently provided. The Department believes that merging the two allocations and renaming it Alaska Public Safety Communication Services (APSCS) will more accurately describe the growing and evolving public safety communication services. **Fiscal Analyst Comment:** The Department took over operating SATS and ALMR from the Department of Administration in FY21. This proposed merging of the two allocations will allow the Department to move money more freely between the two systems, but without the budget transparency offered by having to transfer the money across allocations in Management Plan.
2	Military and Veterans' Affairs / Alaska Public Safety Communication Services (APSCS)	Transfer Channel Drive Lease from Department of Administration	$58.0 Gen Fund (UGF)	**Fiscal Analyst Comment:** This transfers the cost of the lease for the SATS facility after the allocation was moved from Department of Administration (DOA) to DMVA last year. This is an increment rather than a transfer because the corresponding funding source in DOA was Information Services Fund (ISF) and that fund source is not available to DMVA. There is a corresponding decrease in cost in DOA but in ISF receipts which are classified as an Other fund source. These two transactions offset each other but do represent an increase in UGF.
3	Military and Veterans' Affairs / State of Alaska Telecommunications System	Delete Vacant Communications Engineer I (02-3007)	($139.3) Gen Fund (UGF) **(1) PFT Position**	This position has been vacant since August of 2018. System-critical engineering work and decisions will continue to be completed by other staff, or in some cases, contracted out.
4	Military and Veterans' Affairs / State of Alaska Telecommunications System	Reduce Maintenance Expenditures	($300.0) Gen Fund (UGF)	Reduce maintenance on State of Alaska Telecommunications System equipment. Critical maintenance needs would continue to be met, and all other preventive/recommended needs would be prioritized. The impact of this reduction would be the continued growth of the maintenance backlog. However the Governor has requested $49.3 million for statewide deferred maintenance in his FY22 Capital Budget and the department is hoping for an allocation of funds to mitigate the backlog and address these specific needs.

Department of Military and Veterans' Affairs
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Military and Veterans' Affairs / Office of the Commissioner	Delete Vacant Budget Analyst I (09-0228)	**Total: ($93.6)** ($7.2) Fed Rcpts (Fed) ($39.8) Gen Fund (UGF) ($44.0) I/A Rcpts (Other) ($2.6) CIP Rcpts (Other) **(1) PFT Position**	The position has been vacant since March of 2020. **Fiscal Analyst Comment:** The Department has a Budget Manager position to handle all budget work for the Department. This second position previously handled the Department's capital budget items and assisted the Budget Manager with their duties.
6	Military and Veterans' Affairs / Homeland Security and Emergency Management	Delete Vacant Deputy Director (09-0372) Due to Reorganization Efforts	**Total: ($153.4)** ($76.7) Fed Rcpts (Fed) ($76.7) GF/Match (UGF) **(1) PFT Position**	The position has been vacant since April of 2020.
7	Military and Veterans' Affairs / Homeland Security and Emergency Management	Reduce State Match Requirement for Emergency Management Performance Grant	($52.4) GF/Match (UGF)	The Emergency Management Program Grant federal grant requires a dollar for dollar match. Match funds can be provided by the state or by a community participant. The Division has authority to set the portion of match that will be provided by the State, and the amount required from the grant recipient. This year's proposal reduces the match provided with State UGF, and increases the applicant's match requirement.
8	Military and Veterans' Affairs / Homeland Security and Emergency Management	Capital Improvement Project Receipt Authority for Emergency Management Performance Grant	$2,000.0 CIP Rcpts (Other)	Personal services expenditures related to the capital Emergency Management Performance Grant (EMPG) will be coded to the capital appropriation but reported as part of operating at the end of the fiscal year as personal services must be reported on an annual basis. **Item 8 and 9 are related.**
9	Military and Veterans' Affairs / Homeland Security and Emergency Management	Transfer Federal Receipt Authority for Emergency Management Performance Grant to Capital	($3,000.0) Fed Rcpts (Fed)	This allows for increased flexibility to spend and retain funds over multiple fiscal years. There is a corresponding increase in the FY22 capital budget. **Item 8 and 9 are related.**
10	Military and Veterans' Affairs / Army Guard Facilities Maintenance	Increase Federal Receipt Authority to Align with Anticipated Revenue and Expenditures	$1,200.0 Fed Rcpts (Fed)	Federal spending increased due to a number of circumstances, principally: - Increased project volume under the Master Cooperative Agreement (MCA) with National Guard Bureau which are 100% federally reimbursed -COVID-19 travel restrictions allowed employees to

Department of Military and Veterans' Affairs

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Military and Veterans' Affairs / Army Guard Facilities Maintenance	Increase Federal Receipt Authority to Align with Anticipated Revenue and Expenditures	$1,200.0 Fed Rcpts (Fed)	(continued) put more time and attention into maintenance and repair activities at Joint Base Elmendorf-Richardson, where most facilities are 100% federally reimbursed -COVID-19 response and mitigation increased custodian/janitorial costs -Environmental work executed under Appendix 2 of the MCA is also 100% federally reimbursable. Under the appendix, the Division has executed multiple contracts for soil remediation/Spill Prevention, Control, and Countermeasure plan updates, Geographic Information Services, and identified additional Environmental Baseline Studies that will need to be performed.
11	Military and Veterans' Affairs / Army Guard Facilities Maintenance	Replace General Fund Authority with Federal Receipt Authority for Business Process Realignment and Efficiencies	**Net Zero** $162.5 Fed Rcpts (Fed) $13.9 GF/Match (UGF) ($176.4) Gen Fund (UGF)	This fund change is made possible by the reclass of the Division Operations Manager (09-0162) to a Building Maintenance Manager to allow for additional federal reimbursement at 75% FED/25% UGF, versus 100% UGF.
12	Military and Veterans' Affairs / Air Guard Facilities Maintenance	Reduce Unrestricted General Fund Authority Based on Prior Year Expenditures	($100.0) GF/Match (UGF)	The Department is confident that the decrement in matching funding will not impact the current level of Federal reimbursement. This reduction is intended to align authority with prior year actuals.
13	Military and Veterans' Affairs / Air Guard Facilities Maintenance	Delete Vacant Maintenance Generalist-Journey Position (09-0434)	**Total: ($105.4)** ($79.1) Fed Rcpts (Fed) ($26.3) GF/Match (UGF) **(1) PFT Position**	This position has been vacant since March of 2020.
14	Military and Veterans' Affairs / Alaska Wing Civil Air Patrol	Civil Air Patrol Funding Entirely Vetoed in FY21	n/a	In FY21 the legislature moved the Civil Air Patrol allocation from the Department of Public Safety into the Department of Military and Veteran's Affairs, along with an increment of $250.0 in UGF funding, in HB 205 (Ch. 8, SLA 2020). The Governor vetoed the entire $250.0 amount and there is now no Civil Air Patrol allocation in either department.

2021 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Department of Natural Resources

Allocation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Administration & Support									
Commissioner's Office	1,523.9	1,523.9	1,523.9	1,523.9	1,523.9	0.0		0.0	
Project Management & Permittin	6,671.7	6,671.7	6,671.7	6,671.7	6,348.0	-323.7	-4.9 %	-323.7	-4.9 %
Administrative Services	3,694.5	3,694.5	3,694.5	3,694.5	3,694.5	0.0		0.0	
Information Resource Mgmt.	3,703.0	3,703.0	3,703.0	3,703.0	3,703.0	0.0		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	3,646.5	3,646.5	3,646.5	3,646.5	3,646.5	0.0		0.0	
EVOS Trustee Council Projects	163.5	163.5	163.5	163.5	163.5	0.0		0.0	
Public Information Center	768.3	768.3	768.3	768.3	768.3	0.0		0.0	
Mental Health Trust Land Admin	4,425.6	4,425.6	4,425.6	4,425.6	4,393.8	-31.8	-0.7 %	-31.8	-0.7 %
Appropriation Total	**28,521.7**	**28,521.7**	**28,521.7**	**28,521.7**	**28,166.2**	**-355.5**	**-1.2 %**	**-355.5**	**-1.2 %**
Oil & Gas									
Oil & Gas	20,894.8	20,894.8	20,894.8	20,894.8	20,894.8	0.0		0.0	
Appropriation Total	**20,894.8**	**20,894.8**	**20,894.8**	**20,894.8**	**20,894.8**	**0.0**		**0.0**	
Fire, Land & Water Resources									
Mining, Land & Water	28,055.9	28,232.6	28,232.6	28,222.6	28,222.6	-10.0		0.0	
Forest Management & Develop	7,999.5	7,999.5	7,999.5	7,999.5	7,999.5	0.0		0.0	
Geological/Geophysical Surveys	9,125.8	9,135.8	9,135.8	9,135.8	10,010.8	875.0	9.6 %	875.0	9.6 %
Fire Suppression Preparedness	19,721.2	19,721.2	19,721.2	19,721.2	19,721.2	0.0		0.0	
Fire Suppression Activity	39,101.4	39,101.4	39,101.4	39,101.4	39,101.4	0.0		0.0	
Appropriation Total	**104,003.8**	**104,190.5**	**104,190.5**	**104,180.5**	**105,055.5**	**865.0**	**0.8 %**	**875.0**	**0.8 %**
Agriculture									
Agricultural Development	1,740.0	1,740.0	2,428.3	2,428.3	2,428.3	0.0		0.0	
N. Latitude Plant Material Ctr	3,275.7	3,275.7	2,587.4	2,587.4	3,251.1	663.7	25.7 %	663.7	25.7 %
Appropriation Total	**5,015.7**	**5,015.7**	**5,015.7**	**5,015.7**	**5,679.4**	**663.7**	**13.2 %**	**663.7**	**13.2 %**
Parks & Outdoor Recreation									
Parks Management & Access	13,667.4	13,667.4	13,667.4	13,667.4	13,917.4	250.0	1.8 %	250.0	1.8 %
History & Archaeology	2,556.0	2,556.0	2,556.0	2,556.0	2,556.0	0.0		0.0	
Appropriation Total	**16,223.4**	**16,223.4**	**16,223.4**	**16,223.4**	**16,473.4**	**250.0**	**1.5 %**	**250.0**	**1.5 %**
Agency Total	**174,659.4**	**174,846.1**	**174,846.1**	**174,836.1**	**176,269.3**	**1,423.2**	**0.8 %**	**1,433.2**	**0.8 %**
Funding Summary									
Unrestricted General (UGF)	65,719.7	65,729.7	65,729.7	65,729.7	63,234.7	-2,495.0	-3.8 %	-2,495.0	-3.8 %
Designated General (DGF)	35,770.1	35,946.8	35,946.8	35,936.8	38,856.8	2,910.0	8.1 %	2,920.0	8.1 %
Other State Funds (Other)	36,499.4	36,499.4	36,499.4	36,499.4	36,243.9	-255.5	-0.7 %	-255.5	-0.7 %
Federal Receipts (Fed)	36,670.2	36,670.2	36,670.2	36,670.2	37,933.9	1,263.7	3.4 %	1,263.7	3.4 %

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	Reduce Funding for the Federal Plan Review Program	($100.0) Gen Fund (UGF)	The FY21 budget added $595.0 UGF to fund the review of federal plans, including major revisions to allow oil and gas exploration in the Arctic National Wildlife Refuge. This $100.0 decrement will reduce travel and and service expenditures in the program.
2	Oil & Gas / Oil & Gas	Replace UGF with GF/PR	**Net Zero** ($2,000.0) Gen Fund (UGF) $2,000.0 GF/Prgm (DGF)	The Division of Oil and Gas has seen general fund (GF) program receipt revenue far exceed its DGF program receipt authority. In FY20, GF program receipt revenue was over $9,000.0, while its GF receipt authority was $710.4. While FY21 revenue is unknown, the GF receipt authority was $711.8 for FY21. This fund change would increase the division's FY22 receipt authority to $2,711.8. **Fiscal Analyst Comment:** The Division has sufficient revenues to safely make this adjustment. This transaction represents a shift in expenditures from UGF to DGF, and does not reflect a reduction in overall expenditures.
3	Fire Suppression, Land & Water Resources / Mining, Land & Water	Replace UGF with GF/PR	**Net Zero** ($545.0) Gen Fund (UGF) $545.0 GF/Prgm (DGF)	The Division of Mining, Land and Water has seen GF program receipt revenue exceed its DGF program receipt authority. In FY20, GF program receipt revenue was over $15,516.6, while its GF receipt authority was $12,739.7. While FY21 revenue is unknown, FY21 GF receipt authority was $13,130.9 (not including a $10.0 one-time item). This fund change would increase the division's FY22 receipt authority to $13,675.0. **Fiscal Analyst Comment:** The Division has sufficient revenues to safely make this adjustment. This transaction represents a shift in expenditures from UGF to DGF, and does not reflect a reduction in overall expenditures.
4	Fire Suppression, Land & Water Resources / Geological & Geophysical Surveys	Increase Federal Receipt Authority Due to Increased Federal Support for High-Profile Projects	$500.0 Fed Rcpts (Fed)	Ongoing federally funded projects include the North Slope Arctic Strategic Transportation and Resources project and instrument upgrades at the Alaska Volcano Observatory. The division anticipates receiving additional funding from the United States Geological Survey for a statewide geologic sample database, a statewide Environmental Protection Agency groundwater study, and a landslide hazard mitigation plan for Barry Arm. A one-time increase in federal receipt authority, RPL #10-2021-5047, was approved by the Legislative

Department of Natural Resources
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Fire Suppression, Land & Water Resources / Geological & Geophysical Surveys	Increase Federal Receipt Authority Due to Increased Federal Support for High-Profile Projects	$500.0 Fed Rcpts (Fed)	(continued) Budget and Audit Committee (LB&A) at the August 27, 2020 LB&A meeting. This increment would add the federal receipts into the division's base operating budget.
5	Fire Suppression, Land & Water Resources / Geological & Geophysical Surveys	Increase Authority for Core Samples Storage in Geologic Materials Center Due to Increased Revenue from Greater Usage	$375.0 GF/Prgm (DGF) **1 PPT Position**	Hilcorp Energy will store its core samples at the Geologic Material Center (GMC) located in Anchorage. Since the GMC charges fees for storage, revenue is expected to increase. This increment is intended to account for costs related to increased usage of the facility and adds one seasonal Geologist I position.
6	Agriculture / Agricultural Development	Fund Change for Federal Programs with New Grants	**Net Zero** $100.0 Fed Rcpts (Fed) ($100.0) Gen Fund (UGF)	The division anticipates that support for staff could be achieved utilizing funding from two new federal grants. The Food Security Micro Grant was included in the 2018 Federal Farm Bill and provides Alaska $4,000.0 per year for FY21 through FY24. The second grant, for elodea eradication, is received through the Alaska Sustainable Salmon Fund (AKSSF). The AKSSF is funded through 2024 by a U.S. Fish and Wildlife Service grant. The Division of Agriculture must apply to the AKSSF annually for funding. **Fiscal Analyst Comment:** Since federal grant funding is temporary, general funds may need to be restored in FY25. **Items 6 and 7 are related.**
7	Agriculture / North Latitude Plant Material Center	Increase Federal Authority for Elodea Eradication	$663.7 Fed Rcpts (Fed)	This receipt authority will be used for grants through the Alaska Sustainable Salmon Fund (AKSSF) for elodea eradication. The AKSSF is funded through 2024 by a U.S. Fish and Wildlife Service grant. The Division of Agriculture must apply to the AKSSF annually for funding. **Items 6 and 7 are related.**
8	Parks & Outdoor Recreation / Parks Management & Access	Increase Funding For Law Enforcement Due to Increased Training and Overtime Pay Costs	$250.0 Gen Fund (UGF)	Greater turnover has increased training costs, and Park Rangers work overtime to assist State Troopers, which is unbudgeted. The bulk of the existing funding has gone to address current costs, rising core costs, and emergency deferred park maintenance. Equipment and maintenance costs have been deferred, due to the need to pay immediate expenses. Items that may not be funded without the increment include: instructor training and certification, armorer training and

Department of Natural Resources
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Parks & Outdoor Recreation / Parks Management & Access	Increase Funding For Law Enforcement Due to Increased Training and Overtime Pay Costs	$250.0 Gen Fund (UGF)	(continued) certification, web gear, bulletproof vests (which expire), and annual inservice training.

2021 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Public Safety

Appropriation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to	Gov	[5] - [4] Adj Base to	Gov
Fire and Life Safety	6,025.9	5,859.5	5,859.5	5,859.5	5,622.5	-237.0	-4.0 %	-237.0	-4.0 %
Alaska State Troopers	150,949.3	150,949.3	150,949.3	149,534.6	152,434.9	1,485.6	1.0 %	2,900.3	1.9 %
Village Public Safety Officers	14,058.7	14,058.7	14,058.7	14,058.7	13,717.9	-340.8	-2.4 %	-340.8	-2.4 %
AK Police Standards Council	1,385.2	1,385.2	1,385.2	1,305.2	1,385.2	0.0		80.0	6.1 %
Domestic Viol/Sexual Assault	26,729.3	26,729.3	26,729.3	26,729.3	26,678.2	-51.1	-0.2 %	-51.1	-0.2 %
Violent Crimes Comp Board	2,518.6	2,518.6	2,518.6	2,518.6	2,005.2	-513.4	-20.4 %	-513.4	-20.4 %
Statewide Support	28,307.2	28,307.2	28,307.2	27,764.7	27,321.2	-986.0	-3.5 %	-443.5	-1.6 %
Agency Total	**229,974.2**	**229,807.8**	**229,807.8**	**227,770.6**	**229,165.1**	**-642.7**	**-0.3 %**	**1,394.5**	**0.6 %**
Funding Summary									
Unrestricted General (UGF)	180,195.7	180,029.3	180,029.3	178,152.1	180,652.7	623.4	0.3 %	2,500.6	1.4 %
Designated General (DGF)	8,737.3	8,737.3	8,737.3	8,737.3	8,639.3	-98.0	-1.1 %	-98.0	-1.1 %
Other State Funds (Other)	13,368.7	13,368.7	13,368.7	13,208.7	12,200.6	-1,168.1	-8.7 %	-1,008.1	-7.6 %
Federal Receipts (Fed)	27,672.5	27,672.5	27,672.5	27,672.5	27,672.5	0.0		0.0	

Department of Public Safety
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Alaska State Troopers / Alaska State Trooper Detachments	Continue One-Time Capital Outlay Funding for Positions Added in FY21	$1,480.5 Gen Fund (UGF) **IncOTI**	In FY21, the legislature approved funding for 36 new positions in the Alaska State Troopers appropriation, including 15 new Alaska State Troopers. The legislature modified the Governor's proposal by backing out $1,480.5 for initial capital outlay, and funding it as a one-time cost. These expenditures included funding for cars, computers, firearms, and safety equipment for the new troopers. The Governor's FY22 proposal maintained this funding, so the Legislative Finance Division backed it out of the adjusted base, and represented it again a one-time increment (IncOTI) transaction to match the Governor's bill.
2	Alaska State Troopers / Various	Fully Fund Thirty-Six New Positions Added at 75% Funding in FY21	$1,686.7 Gen Fund (UGF)	In FY21, the legislature approved the Governor's proposal to add 36 new positions in the Alaska State Troopers appropriation, but funded them at 75% of the cost to account for the time that would be required to recruit and fill those positions. This increment provides the remaining 25% of funding so that all 36 positions will be fully-funded. Of those new positions, the following have been filled as of January, 2021: **Alaska Bureau of Judicial Services: $17.0 UGF** Office Assistant II - Actively recruiting **AST Detachments: $1,457.4 UGF** (15) State Troopers - Six actively recruiting, agency working to identify office space and housing for remaining nine positions (5) Court Service Officer - ***One filled*** (5) Criminal Justice Technician II - One actively recruiting Public Safety Technician II - Awaiting OPD action Office Assistant II - Awaiting OPD action Administrative Assistant I - Awaiting OPD action **Alaska Bureau of Investigation: $60.1 UGF** Data Processing Manager II - Awaiting OPD action Victim/Witness Paralegal I - Preparing to recruit **AWT Aircraft Section: $122.2 UGF** (4) Aircraft Pilots - ***Three filled*** **AWT Marine Enforcement: $30.0 UGF** Boat Officer III - Actively recruiting
3	Village Public Safety Officer Program / Village Public Safety Officer Program	Implement Operating Reductions to Maintain Department's Core Activities	($340.8) Gen Fund (UGF)	The Department has identified potential savings by reducing the budget for commodities and capital outlay, and will use a reduced service rate for Alaska State Trooper and Alaska Wildlife Trooper oversight visits. This reduction does not impact the grants line.

Department of Public Safety
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Violent Crimes Compensation Board / Violent Crimes Compensation Board	Reduce Authority to Align with Anticipated Revenues	($513.4) Crime VCF (Other)	The Crime Victims Compensation fund is capitalized with Restorative Justice Account funds, formerly known as Permanent Fund Dividend (PFD) Criminal funds. The amount of Restorative Justice Account funds available for appropriation in FY22 is significantly less than the FY21 amount due to a the State issuing a smaller PFD in 2019 compared to the year prior. In FY21, the calculation was based on 9,019 ineligible Alaskans and a $1,606 dividend for the 2018 calendar year, and in FY22 it is based on 9,446 ineligible Alaskans and a $992 dividend for the 2019 calendar year. **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 the number of individuals who are ineligible for a PFD under AS 43.23.005(d) due to their criminal convictions, and the dividend amount that they would have otherwise received. The calculation is typically performed in October by the Permanent Fund Dividend Division, based on information from the previous full calendar year. The number of ineligible persons is the sum of Department of Corrections counts of incarcerated felons and misdemeanants, and Department of Public Safety counts of sentenced felons. Those forfeited funds are then available in the subsequent budget cycle for appropriation to eligible agencies. 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 PFD that is distributed each year. Similar adjustments were made in the Department of Corrections for Physical Healthcare, in the Department of Health and Social Services for Behavioral Health Treatment and Recovery Grants, and in the Legislature for the Office of Victim Rights.
5	Statewide Support / Criminal Justice Information Systems Program	Extend Temporary Funding for Four NIBRS Positions (FY22-FY24)	$396.7 Gen Fund (UGF) **4 PFT Positions IncT**	The Department has requested to extend temporary funding for the agency's work with National Incident-Based Reporting System (NIBRS) through FY24. A temporary increment was initially authorized from FY19 through FY21 to support four temporary positions whose ongoing work will establish the

Department of Public Safety
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Statewide Support / Criminal Justice Information Systems Program	Extend Temporary Funding for Four NIBRS Positions (FY22-FY24)	$396.7 Gen Fund (UGF) **4 PFT Positions IncT**	(continued) State's interface and coordination with this Federal Bureau of Investigation database.

2021 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Revenue

Appropriation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Taxation and Treasury	91,022.6	91,022.6	91,022.6	90,698.9	80,402.4	-10,620.2	-11.7 %	-10,296.5	-11.4 %
Child Support Services	25,745.2	25,745.2	25,745.2	25,745.2	24,268.7	-1,476.5	-5.7 %	-1,476.5	-5.7 %
Mental Health Trust Authority	5,645.8	5,645.8	5,645.8	5,645.8	5,610.6	-35.2	-0.6 %	-35.2	-0.6 %
AK Muni Bond Bank Authority	1,009.5	1,009.5	1,009.5	1,009.5	1,009.5	0.0		0.0	
AK Housing Finance Corporation	99,972.4	99,972.4	99,972.4	99,972.4	100,342.4	370.0	0.4 %	370.0	0.4 %
AK Permanent Fund Corporation	149,844.8	147,081.3	147,081.3	147,081.3	151,840.8	4,759.5	3.2 %	4,759.5	3.2 %
Administration and Support	3,479.1	3,479.1	3,479.1	3,802.8	4,398.6	919.5	26.4 %	595.8	15.7 %
Agency Total	**376,719.4**	**373,955.9**	**373,955.9**	**373,955.9**	**367,873.0**	**-6,082.9**	**-1.6 %**	**-6,082.9**	**-1.6 %**
Funding Summary									
Unrestricted General (UGF)	27,752.2	27,752.2	27,752.2	27,752.2	25,516.2	-2,236.0	-8.1 %	-2,236.0	-8.1 %
Designated General (DGF)	2,777.4	2,777.4	2,777.4	2,777.4	3,775.1	997.7	35.9 %	997.7	35.9 %
Other State Funds (Other)	266,243.2	263,479.7	263,479.7	263,479.7	259,654.3	-3,825.4	-1.5 %	-3,825.4	-1.5 %
Federal Receipts (Fed)	79,946.6	79,946.6	79,946.6	79,946.6	78,927.4	-1,019.2	-1.3 %	-1,019.2	-1.3 %

Department of Revenue

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Taxation and Treasury / Tax Division	Shared Taxes Cost Recovery for Telephone and Electric Cooperatives Receipt Change	**Net Zero** ($48.7) Gen Fund (UGF) $48.7 GF/Prgm (DGF)	The Tax Division administers taxes on behalf of municipalities. In past years, the state collected $5.0 in total fees for assessing the Electric Cooperative, and $1.5 for assessing the Telephone Cooperative. This proposal would increase the fees assessed to municipalities by $42.2. **Fiscal Analyst Comment:** This change would increase total fees collected to $48.7. The $6.5 in fees currently being collected are already considered GF/ Prgm. LFD recommends adjusting the fund change amount to $42.2 to correct this minor error.
2	Taxation and Treasury / Treasury Division	Charge Flat One Basis Point Fee for Fund Management	**Net Zero** ($1,404.5) Gen Fund (UGF) $96.5 IntAirport (Other) $359.0 Pub School (Other) $632.6 PCE Endow (DGF) $316.4 High Ed (DGF)	The current fees structure has not kept pace with changing fund balances. Charging a flat one basis point fee would more accurately distribute the cost of services and eliminate the need for continual reassessment of fees. As of FY21, the International Airports Revenue Fund pays $38.6, the Public School Trust Fund pays $274.4, the Power Cost Equalization Fund pays $359.8, and the Higher Education Fund pays no fees.
3	Taxation and Treasury / Alaska Retirement Management Board Custody and Management Fees	Reduce Authority for Management Fee Savings	**Total: ($10,000.0)** ($4,788.2) Group Ben (Other) ($3,608.6) PERS Trust (Other) ($1,603.2) Teach Ret (Other)	The Treasury Division has increased internal management of assets, allowing for reduced use of higher-cost external managers. This change includes moving out of actively managed sector funds, which charge high fees and do not on average beat the market.
4	Child Support Services / Child Support Services Division	New Carryforward Language for GF/Program Receipts	**Net Zero**	The FY22 budget includes language to carryforward unexpended balances from Temporary Assistance to Needy Families and the Alaska Interest program. These program receipts are currently lapsing into the general fund. Under the new language, the program receipts will be temporarily used to help fund the FY22 capital project request for a new case management system. Once the capital project is finished, the program receipts will be expended in the operating budget. **Items 4 and 5 are related.**

Department of Revenue
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Various	Reduce Authority for Child Support Services	**Total: ($1,476.5)** ($1,019.2) Fed Rcpts (Fed) ($457.3) GF/Match (UGF)	The division is proposing four separate decrements this year. A decrement of $1,131.3 is due to moving the case management system from the state's mainframe to a more cost-effective Linux web platform. The move is meant to act as a bridge, generating short-term savings until it can be replaced with a more modern and efficient system. A related FY22 capital budget request would fund replacement of the aging case management system. The operating efficiencies in this decrement do not depend on the passage of the capital project. However, if the capital request is rejected, the department requests that some of this decrement be retained to fund programming improvements in the current system. A related FY22 operating budget decrement of $110.4 for a programmer assumes funding through the capital project. A $104.8 decrement results from reducing the Criminal Investigations Unit (CIU) chargeback rate to align funding with Child Support investigators moving out of the CIU. A $130.0 decrement reduces authority for two Office Assistant II positions that were deleted in FY21. **Items 4 and 5 are related.**
6	Alaska Permanent Fund Corporation / APFC Operations	Investment Staff Incentive Compensation Program	$890.0 PF Gross (Other)	APFC's board of trustees has requested a new program providing one-time performance-based bonuses for investment staff. The intent is to to aid in recruiting and retaining employees. According to the compensation study performed by McLagan for APFC, most pension, endowment, and sovereign wealth funds offer some type of performance-based compensation to their investment professionals. The legislature voted to fund a $2,763.5 incentive compensation program for FY21, though it was vetoed by the governor. The current proposal is similar, though with significantly less funding.

Department of Revenue
Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Forecasted Investment Management Fees and Supporting Investment Systems	$3,638.5 PF Gross (Other)	The division is requesting $1,364.5 for updating investment systems and $2,924.3 for management fee increases. Separately identified savings of $450.3 due to investment due diligence, and $200.0 in custody fees reduce the overall increment to $3,638.5. The forecasted increase in management fees is based on projections by Callan. The increase is partly because the total Permanent Fund balance is expected to be larger in FY22, and more total money being managed leads to more total fees.
8	Administration and Support / Criminal Investigations Unit	Add Interagency Receipts Resulting from Centralized Investigations	$713.6 I/A Rcpts (Other)	During the FY21 Management Plan, criminal investigation staff from the Tax and Permanent Fund Dividend divisions were centralized into the Criminal Investigative Unit (CIU). Additional interagency receipt authority is requested to budget for personal services costs that are now within the CIU allocation.

2021 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Transportation and Public Facilities

Appropriation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Division of Facilities Service	110,435.4	110,419.2	110,419.2	110,531.0	109,993.9	-425.3	-0.4 %	-537.1	-0.5 %
Design, Engineering & Constr	116,702.0	116,510.1	116,510.1	117,809.1	117,809.1	1,299.0	1.1 %	0.0	
State Equipment Fleet	34,841.4	34,582.8	34,582.8	34,745.5	34,745.5	162.7	0.5 %	0.0	
Highways/Aviation & Facilities	158,990.1	158,693.1	158,693.1	159,784.3	160,475.3	1,782.2	1.1 %	691.0	0.4 %
International Airports	91,186.3	91,037.6	91,037.6	92,012.2	92,012.2	974.6	1.1 %	0.0	
Marine Highway System	123,560.8	108,012.5	108,012.5	108,375.5	100,037.2	-7,975.3	-7.4 %	-8,338.3	-7.7 %
Administration and Support	51,592.0	51,341.2	51,341.2	47,338.9	46,336.1	-5,005.1	-9.7 %	-1,002.8	-2.1 %
Agency Total	**687,308.0**	**670,596.5**	**670,596.5**	**670,596.5**	**661,409.3**	**-9,187.2**	**-1.4 %**	**-9,187.2**	**-1.4 %**
Funding Summary									
Unrestricted General (UGF)	162,944.7	150,113.6	150,113.6	150,113.6	133,117.6	-16,996.0	-11.3 %	-16,996.0	-11.3 %
Designated General (DGF)	104,719.4	101,765.0	101,765.0	101,765.0	95,523.6	-6,241.4	-6.1 %	-6,241.4	-6.1 %
Other State Funds (Other)	418,021.3	417,099.3	417,099.3	417,099.3	416,272.3	-827.0	-0.2 %	-827.0	-0.2 %
Federal Receipts (Fed)	1,622.6	1,618.6	1,618.6	1,618.6	16,495.8	14,877.2	919.1 %	14,877.2	919.1 %

Department of Transportation and Public Facilities

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Division of Facilities Services / Various	Consolidate Facilities Services in New Division of Facilities Services	n/a	The State of Alaska is transitioning from the decentralized method of facility maintenance to the shared services method. By centralizing this function within the Department of Transportation and Public Facilities (DOT&PF), the process of maintaining public facilities could become more effective and efficient. With added accountability between the Department of Transportation and Public Facilities (as the service provider) and customer agencies (the facilities owner), the process of maintaining these buildings can be streamlined and may result in savings. The Facilities Services allocation was moved from the Highways, Aviation, & Facilities appropriation into the new Facilities Services appropriation. Additionally, the following allocations were moved from the Department of Administration into the new Facilities Services appropriation: -Leases -Lease Administration -Facilities -Facilities Administration -Non-Public Building Fund Facilities
2	Highways, Aviation and Facilities / Various	One-Time Fund Source Swap to Utilize FAA CARES Act Funding and Displace Unrestricted General Fund	**Net Zero** $14,600.8 Fed Rcpts (Fed) ($14,600.8) Gen Fund (UGF)	Approximately $10 billion in grants for airports is available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, of which the State of Alaska Rural Airport System was allocated approximately $49 million. Funds provided under the grant agreement must only be used for purposes directly related to airports. Such purposes can include the reimbursement of an airport's operational and maintenance expenses. A one-time fund source change will allow the utilization of Federal Aviation Administration CARES Act revenue in the following allocations: Central Region Facilities $1,122.8 Fed/ ($1,122.8) UGF Northern Region Facilities $2,621.0 Fed/ ($2,621.0) UGF Southcoast Region Facilities $1,569.2 Fed/ ($1,569.2) UGF Central Region Aviation $1,875.5 Fed/ ($1,875.5)

Department of Transportation and Public Facilities

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Highways, Aviation and Facilities / Various	One-Time Fund Source Swap to Utilize FAA CARES Act Funding and Displace Unrestricted General Fund	**Net Zero** $14,600.8 Fed Rcpts (Fed) ($14,600.8) Gen Fund (UGF)	(continued) UGF Northern Region Aviation $4,638.5 Fed/ ($4,638.5) UGF Southcoast Region Aviation $2,773.8 Fed/ ($2,773.8) UGF
3	Highways, Aviation and Facilities / Various	One-time Use of FAA CARES Act Federal Funding to Cover Aviation Fuel Tax Shortfall	**Net Zero** $276.4 Fed Rcpts (Fed) ($276.4) AvFuel Tax (Other)	Approximately $10 billion in grants for airports is available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, of which the State of Alaska Rural Airport System was allocated approximately $49 million. Funds provided under the Grant Agreement must only be used for purposes directly related to airports. Such purposes can include the reimbursement of an airport's operational and maintenance expenses. Federal receipt authority is required to expend increased federal revenues related to CARES Act. The fund source change took place in the following allocations: Central Highways & Aviation: $86.5 Fed/ ($86.5) Aviation Fuel Tax Northern Highways & Aviation: $141.5 Fed/ ($141.5) Aviation Fuel Tax Southcoast Highways & Aviation: $48.4 Fed/ ($48.4) Aviation Fuel Tax
4	Highways, Aviation and Facilities / Various	One-time Fund Source Swap to Address Projected Motor Fuel Tax Shortfall	**Net Zero** $502.8 Gen Fund (UGF) ($502.8) Motor Fuel (DGF)	The projected motor fuel tax revenue shortfall is based on pre-COVID revenue projections and the Department of Revenue's assumption that revenues will return to pre-COVID levels by FY22. This fund source change takes place in the following allocations: Central Highways & Aviation: $138.8 UGF/ ($138.8) Motor Fuel Tax Northern Highways & Aviation: $269.5 UGF / ($269.5) Motor Fuel Tax Southcoast Highways & Aviation: $94.5 UGF/ ($94.5) Motor Fuel Tax **Fiscal Analyst Comment:** The department's revenue from Motor Fuel tax dropped by over $2.6 million dollars between FY19 and FY20, which only included a few months of COVID-19 related decreases from March to June. While a portion of this fund source change may be reversible in the future, it is unknown

Department of Transportation and Public Facilities

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Highways, Aviation and Facilities / Various	One-time Fund Source Swap to Address Projected Motor Fuel Tax Shortfall	**Net Zero** $502.8 Gen Fund (UGF) ($502.8) Motor Fuel (DGF)	(continued) if motor fuel tax receipts will return to pre-COVID levels given the downward trend in motor fuel tax receipts due to increased fuel efficiency in vehicles, increases in hybrid and electric vehicle ownership, and a reduction in driving overall. Even with this reduction there is still a $1.8 million shortfall between what is being appropriated to the Department and what the Department of Revenue projects the motor fuel tax will generate in FY22.
5	Highways, Aviation and Facilities / Various	Add Authority to Cover Uncollectable State Equipment Fleet Collective Bargaining Unit Increases	$716.0 Gen Fund (UGF)	Salary adjustments were included in the FY19 and FY20 budget in the State Equipment Fleet (SEF) allocation increasing the authority to collect receipts for services but with no corresponding adjustment to the allocations which are paying fees to SEF for services in order to accommodate the increased cost. This effectively made the salary adjustment in SEF fee authority an uncollectible fund source. Increments are requested in the following allocations to allow them to pay SEF for those increased service costs: Central Highways & Aviation: $252.0 (UGF) Northern Highways & Aviation $464.0 (UGF) **Fiscal Analyst Comment:** The Department was able to accommodate this shortfall in fee revenue over the last two years, but has determined that an increment from a collectible fund source is now necessary. The salary adjustment was the last major unfunded cost increase added to these allocations' budgets, and therefore is the easiest to point to as a cause for their budget shortfall.
6	Marine Highway System / Marine Vessel Operations	Reduce Authorization to FY2021 Governor's Proposed Levels to Provide Essential Service	**Total: ($8,338.3)** ($3,589.0) Gen Fund (UGF) ($4,749.3) Marine Hwy (DGF)	The Governor's FY21 budget proposed an increase of $3.3 million UGF, which would have added 8.8 weeks of service. The legislature added an additional $16.8 million UGF (spread across multiple allocations), which would have significantly reduced gaps in service. The Governor subsequently vetoed $12.7 million UGF of that addition (all located in the Vessel Operations allocation), for a net increase of $7.3 million UGF over FY20 funding levels. The Governor's FY22 proposed budget would bring the Alaska Marine Highway System (AMHS) budget back to the Governor's initial proposed FY21 budget level and remove all increases included by the Legislature in

Department of Transportation and Public Facilities

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Marine Highway System / Marine Vessel Operations	Reduce Authorization to FY2021 Governor's Proposed Levels to Provide Essential Service	**Total: ($8,338.3)** ($3,589.0) Gen Fund (UGF) ($4,749.3) Marine Hwy (DGF)	(continued) the FY21 budget. This would bring the budget for AMHS down to $50.4 million UGF and $48.8 million DGF. The AMHS plans to absorb this decrement through a reduction in port calls, and service gaps during seasons with minimal demand. The administration asserts that this authorization will allow for an essential level of service. AMHS operations in the first half of FY21 were significantly impacted by the COVID-19 emergency, along with mechanical failures that substantially reduced service. This meant that some costs such as fuel usage decreased, but the pandemic has further lowered already reduced passenger usage and an increased reliance upon AMHS passenger receipts will mean considerable draw down from the Marine Highway fund balance. Some operational costs in FY20 and FY21 were met through the use of Federal CARES act funding for a total of $10 million over two years, but this does not come close to making up for the added costs and reduced revenue caused by the pandemic. Early projections indicate that the entire Marine Highway fund will be drawn down in FY21. This is primarily caused by self-generated revenue falling from $50.8 million in FY19 to $28.2 million in FY20. Current projections estimate FY21 revenue further reduced to only $25 million. This will cause the AMHS to run at a $29.7 million deficit in FY21. The Alaska Marine Highway Fund is projected to only have $23 million in available funding in FY21. The table on the last page of this summary section provides historical AMHS budget information along with projected AMHS fund balances. **Fiscal Analyst Comment:** As can be seen from the table, the projected FY21 ending balance is negative $6.6 million and AMHS will likely require an FY21 supplemental appropriation of UGF to sustain operations. Given this known shortfall in FY21 it is likely that considerable reductions in service would be necessary to operate at the Governor's FY22 proposed funding level, which relies heavily upon AMHS

Department of Transportation and Public Facilities

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Marine Highway System / Marine Vessel Operations	Reduce Authorization to FY2021 Governor's Proposed Levels to Provide Essential Service	**Total: ($8,338.3)** ($3,589.0) Gen Fund (UGF) ($4,749.3) Marine Hwy (DGF)	(continued) revenues. Those revenues have not materialized in the previous two fiscal years. This greatly increases the likelihood of a substantial FY22 supplemental appropriation being necessary.
7	Marine Highway System / Various	Transfer from Marine Vessel Fuel to Align System Authority with Location of Governor's Reduction	n/a	In FY21 the legislature restored funding for the Alaska Marine Highway System (AMHS) back to FY19 levels in a number of allocations. Specifically there was an increment of $3.7 million in the Marine Vessel Fuel allocation. The FY22 proposed budget transfers $3,715.6 in Marine Highway fund authority from the Marine Vessel Fuel allocation into the Marine Vessel Operations allocation in order to offset the proposed reduction noted above. **Fiscal Analyst Comment:** This brings the Marine Vessel Fuel allocation down to $12.7 million, including $7.8 million UGF. This remaining authority should be sufficient to meet short term needs, given the reduced need for fuel over the last two fiscal years. However, any increase in vessel sailings will also increase fuel costs provided fuel prices remain steady. In FY19 AMHS fuel costs were $19.5 million; well above the proposed FY22 level.
8	Administration and Support / Statewide Administrative Services	Delete Authority No Longer Needed Based on Prior Year Actuals and Operational Plans	**Total: ($507.1)** ($0.1) GF/Prgm (DGF) ($507.0) Marine Hwy (DGF)	This is a technical adjustment and reflects a substantial decrease in the amount of available Marine Highway funds. In FY19 the allocation expended $1.1 million in Marine Highway fund receipts and that has dropped to $0.6 million in FY20. This lowers the allocation's authority to $0.7 million in FY22.
9	Administration and Support / Various	Transfer to Various Allocations From Information Systems and Services for Employee Based Rates Funding - OIT	**Total: $3,390.8** $501.8 Gen Fund (UGF) $70.0 HwyCapital (Other) $244.5 IntAirport (Other) $2,325.0 CIP Rcpts (Other) $249.5 Marine Hwy (DGF)	There were multiple transfers from Information System Services to fund Department of Administration's Office of Information Technology rates which have been incorporated into individual positions located throughout the Department's many divisions.

Department of Transportation and Public Facilities

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Administration and Support / Various	Transfers to Various Allocations from Human Resources to Fund Employee Based Rates DOPLR/IRIS HRM	**Total: $2,209.2** $531.0 Gen Fund (UGF) $92.7 HwyCapital (Other) $206.7 IntAirport (Other) $1,265.3 CIP Rcpts (Other) $113.5 Marine Hwy (DGF)	There were multiple transfers from Human Resources to fund Division of Personnel and Labor Relations and Integrated Resource Information System Human Resource Management rates which have been incorporated into individual positions throughout the Department's divisions.

AMHS Cash Flow/Fund Balance

(thousands) Description	Actual FY16	Actual FY17	Actual FY18	Actual FY19	Actual FY20	Projected FY21
Weeks of Service	355.9	329.6	317.5	329.1	203.0	204.8
Cash Flow						
Sources						
AMHS Generated Revenues	47,158.0	45,759.0	47,316.0	50,804.0	28,257.0	24,950.0
Restricted Revenues (CIP Rcpts)	603.0	659.0	977.0	399.0	734.0	850.0
UGF Appropriations (base budget)	94,958.0	89,263.0	41,949.0	85,991.0	45,821.0	54,011.0
DGF - Motor Fuel Tax (current statute)	-	-	3,552.4	3,617.1	3,617.1	3,617.1
CARES Act Funding					6,500.0	3,500.0
Fuel Trigger Appropriation	-	-	-	-		-
Excess Fuel Trigger Appropriation	-	-	-	-		-
Total Sources	142,719.0	135,681.0	93,794.4	140,811.1	84,929.1	86,928.1
Uses						
Vessel Operations (less fuel)	106,661.0	99,029.0	102,272.0	102,849.0	71,969.0	70,082.7
Vessel Fuel Base	16,634.0	15,299.2	18,895.4	19,540.0	8,175.0	10,184.2
Shoreside/ Other	18,606.0	17,320.0	17,556.2	15,279.0	12,410.0	15,608.6
Operating Expenses	141,901.0	131,648.2	138,723.6	137,668.0	92,554.0	95,875.5
Support Services-DOT/DOA	3,280.9	3,280.9	3,287.4	3,204.0	2,091.0	2,244.7
CARES Act Funding					6,500.0	3,500.0
Supplemental (Oper Bdgt)						-
Annual Vessel Overhaul (Cap Bud)	-	-	-	13,500.0		15,000.0
Annual Vessel Overhaul (Sup Cap)				1,400.0	5,000.0	-
Total Uses	145,181.9	134,929.1	142,011.0	155,772.0	106,145.0	116,620.2
Suplus/(Deficit)	**(2,462.9)**	**751.9**	**(48,216.6)**	**(14,960.9)**	**(21,215.9)**	**(29,692.1)**
Traditional Fund -Draw	2,462.9	-	48,216.6	14,960.9	21,215.9	20,419.4
Remaining Deficit	-	-	-	-	-	(9,272.7)
Capitalization Acct - Draw	-	-	-	-	-	2,630.1
Remaining Deficit	-	-	-	-	-	**(6,642.6)**
Fund Balances						
Traditional Fund						
BOY Balance	20,907.1	18,444.2	28,660.9	10,444.3	25,546.4	5,944.4
Deposits	-	751.9	6,081.8	10,063.0	-	14,475.0
Supplemental Deposits	-	9,464.8	23,918.2	20,000.0	1,613.9	
Subtotal	20,907.1	28,660.9	58,660.9	40,507.3	27,160.3	20,419.4
Withdrawals	(2,462.9)	-	(48,216.6)	(14,960.9)	(21,215.9)	(20,419.4)
EOY Balance	**18,444.2**	**28,660.9**	**10,444.3**	**25,546.4**	**5,944.4**	**-**
Capitalization Acct						
BOY Balance	2,644.0	2,630.1	2,630.1	2,630.1	2,630.1	2,630.1
Deposits	-	-	-	-	-	-
Withdrawals	(13.9)	-	-	-	-	(2,630.1)
EOY Balance	**2,630.1**	**2,630.1**	**2,630.1**	**2,630.1**	**2,630.1**	**-**
Total Fund Balance	21,074.3	31,291.0	13,074.4	28,176.5	8,574.5	-

2021 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: University of Alaska

Allocation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
University of Alaska									
Systemwide Reduction/Additions	-11,893.1	-24,393.1	779.9	779.9	-46,934.6	-47,714.5	<-999 %	-47,714.5	<-999 %
Statewide Services	38,556.3	38,556.3	36,427.7	36,427.7	36,427.7	0.0		0.0	
Office of Information Technolo	17,165.1	17,165.1	15,115.1	15,115.1	15,115.1	0.0		0.0	
Anchorage Campus	255,910.7	255,910.7	246,705.7	246,705.7	247,062.3	356.6	0.1 %	356.6	0.1 %
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	391,008.9	391,008.9	378,347.7	378,347.7	378,347.7	0.0		0.0	
Education Trust of Alaska	2,749.2	2,749.2	2,998.4	2,998.4	2,998.4	0.0		0.0	
Kenai Peninsula College	16,207.7	16,207.7	16,298.1	16,298.1	16,298.1	0.0		0.0	
Kodiak College	5,564.1	5,564.1	5,546.1	5,546.1	5,546.1	0.0		0.0	
Matanuska-Susitna College	13,381.2	13,381.2	13,192.5	13,192.5	13,192.5	0.0		0.0	
Prince William Sound College	6,252.4	6,252.4	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	5,239.0	5,239.0	5,234.0	5,234.0	5,234.0	0.0		0.0	
Kuskokwim Campus	5,969.1	5,969.1	6,016.6	6,016.6	6,016.6	0.0		0.0	
Northwest Campus	5,030.4	5,030.4	5,017.9	5,017.9	5,017.9	0.0		0.0	
UAF Community and Tech College	13,305.0	13,305.0	13,406.0	13,406.0	13,406.0	0.0		0.0	
Ketchikan Campus	5,240.3	5,240.3	5,089.6	5,089.6	5,089.6	0.0		0.0	
Sitka Campus	7,299.0	7,299.0	7,041.4	7,041.4	7,041.4	0.0		0.0	
Juneau Campus	44,390.9	44,390.9	44,885.5	44,885.5	44,885.5	0.0		0.0	
UA Foundation	4,263.9	4,263.9	4,785.5	4,785.5	0.0	-4,785.5	-100.0 %	-4,785.5	-100.0 %
Appropriation Total	**844,773.9**	**832,273.9**	**832,273.9**	**832,273.9**	**780,130.5**	**-52,143.4**	**-6.3 %**	**-52,143.4**	**-6.3 %**
Agency Total	**844,773.9**	**832,273.9**	**832,273.9**	**832,273.9**	**780,130.5**	**-52,143.4**	**-6.3 %**	**-52,143.4**	**-6.3 %**
Funding Summary									
Unrestricted General (UGF)	289,533.5	277,033.5	277,033.5	277,033.5	257,033.5	-20,000.0	-7.2 %	-20,000.0	-7.2 %
Designated General (DGF)	332,430.0	332,430.0	332,430.0	332,430.0	310,755.0	-21,675.0	-6.5 %	-21,675.0	-6.5 %
Other State Funds (Other)	82,584.5	82,584.5	82,584.5	82,584.5	75,116.1	-7,468.4	-9.0 %	-7,468.4	-9.0 %
Federal Receipts (Fed)	140,225.9	140,225.9	140,225.9	140,225.9	137,225.9	-3,000.0	-2.1 %	-3,000.0	-2.1 %

University of Alaska

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	University of Alaska / Budget Reductions/ Additions - Systemwide	UA General Fund Reduction	($20,000.0) Gen Fund (UGF)	This decrement represents year three of a three-year agreement between the Governor and the University of Alaska Board of Regents. The agreement calls for a reduction of $20 million (7.2%) unrestricted general fund (UGF) in FY22. The allocation of the reduction will be finalized by the Board of Regents after the FY22 budget is enacted, potentially in June of 2021. **Fiscal Analyst Comment:** 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. There was a $25 million UGF reduction in FY20, a $25 million UGF reduction in FY21, and this final $20 million UGF reduction proposed for FY22. As part of the compact agreement the Governor agreed to support a single appropriation and not to seek additional reductions through veto. The $70 million UGF reduction from $327 million in FY19 to $257 million in the FY22 proposed budget is a 21.4% decrease. **Items 1 and 3 are related.**
2	University of Alaska / Budget Reductions/ Additions - Systemwide	Reduce University of Alaska, Federal, Interagency, and CIP Receipt Authority to Align with Anticipated Expenditures	**Total: ($27,714.5)** ($3,000.0) Fed Rcpts (Fed) ($3,500.0) I/A Rcpts (Other) ($17,214.5) Univ Rcpt (DGF) ($4,000.0) CIP Rcpts (Other)	In addition to the $20 million UGF budget reduction, corresponding reductions in other fund sources are reflected in the FY22 proposed budget. **Fiscal Analyst Comment:** As the general fund budget is reduced, the University's ability to generate revenues from other sources is also reduced. Tuition and other revenue has declined as programs are cut or eliminated. The University was already facing significant budget reductions before the pandemic, which has exacerbated revenue decline and has increased costs. Additional federal stimulus funding will be available to the University but the amount is unconfirmed at the time of this publication.
3	University of Alaska / Budget Reductions/ Additions - Systemwide	Consolidate All University Allocations Into One Appropriation	n/a	The Governor's budget proposes one appropriation instead of the two-appropriation structure adopted by the legislature for FY21. The primary advantage of the one appropriation model is that it limits the amount of necessary internal billing between different parts of the university system and provides more financial and budgetary management flexibility. **Fiscal Analyst Comment:** The two-appropriation structure passed by the legislature for FY21 consists of

University of Alaska

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	University of Alaska / Budget Reductions/ Additions - Systemwide	Consolidate All University Allocations Into One Appropriation	n/a	(continued) the University of Alaska appropriation and the University of Alaska Community Campuses appropriation, which also includes the University of Alaska Southeast Juneau campus. Maintaining the FY21 structure would put the entire $20 million budget reduction to the University of Alaska appropriation **(see Item 1)**. The movement of funding between the two appropriations would be limited to the use of Reimbursable Services Agreements (RSA's), in which the Anchorage and Fairbanks campuses and statewide system will have to bill the community campuses and Juneau university campus for services provided to them. Previously, the main campuses provided a number of services to smaller campuses that they will now need to charge for using RSA's in order to recoup costs. The two-appropriation structure also limits the Board of Regent's and University Administration's options in implementing the budget reduction. **Items 1 and 3 are related.**
4	University of Alaska / University of Alaska Foundation	UA Foundation Transition to Non-Profit	($4,785.5) Univ Rcpt (DGF) **(29) PFT Positions** **(1) PPT Position**	This adjustment transitions the UA Foundation budget and staffing from the University of Alaska to the non-profit UA Foundation. The principal purposes for the proposed change are to better reflect in UA's budget that both Foundation costs and expenses (staff and otherwise) are principally borne by the Foundation and not UA, and to clearly communicate that staff of the Foundation are not those of UA administration. **Fiscal Analyst Comment:** The transition of the UA Foundation is in the planning stage and the implementation process is still being developed. Additional information will be available for the legislative subcommittee process. The implementation plan is expected to be available by July 1, 2021.

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2021 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Judiciary

Allocation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Alaska Court System									
Appellate Courts	7,644.3	7,663.1	7,663.1	8,022.7	8,022.7	359.6	4.7 %	0.0	
Trial Courts	88,445.0	88,445.0	88,445.0	88,882.9	89,784.2	1,339.2	1.5 %	901.3	1.0 %
Administration and Support	10,754.5	10,754.5	10,754.5	10,838.2	10,838.2	83.7	0.8 %	0.0	
Appropriation Total	**106,843.8**	**106,862.6**	**106,862.6**	**107,743.8**	**108,645.1**	**1,782.5**	**1.7 %**	**901.3**	**0.8 %**
Therapeutic Courts									
Therapeutic Courts	6,184.6	6,184.6	6,184.6	6,207.2	6,207.2	22.6	0.4 %	0.0	
Appropriation Total	**6,184.6**	**6,184.6**	**6,184.6**	**6,207.2**	**6,207.2**	**22.6**	**0.4 %**	**0.0**	
Commission on Judicial Conduct									
Commission on Judicial Conduct	453.9	453.9	453.9	456.8	456.8	2.9	0.6 %	0.0	
Appropriation Total	**453.9**	**453.9**	**453.9**	**456.8**	**456.8**	**2.9**	**0.6 %**	**0.0**	
Judicial Council									
Judicial Council	1,350.3	1,350.3	1,350.3	1,359.6	1,359.6	9.3	0.7 %	0.0	
Appropriation Total	**1,350.3**	**1,350.3**	**1,350.3**	**1,359.6**	**1,359.6**	**9.3**	**0.7 %**	**0.0**	
Agency Total	**114,832.6**	**114,851.4**	**114,851.4**	**115,767.4**	**116,668.7**	**1,817.3**	**1.6 %**	**901.3**	**0.8 %**
Funding Summary									
Unrestricted General (UGF)	111,132.9	111,151.7	111,151.7	112,067.7	112,929.0	1,777.3	1.6 %	861.3	0.8 %
Designated General (DGF)	518.0	518.0	518.0	518.0	518.0	0.0		0.0	
Other State Funds (Other)	2,206.1	2,206.1	2,206.1	2,206.1	2,246.1	40.0	1.8 %	40.0	1.8 %
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	Restoration of Full Funding for the Appellate Court Budget	$334.7 Gen Fund (UGF)	The FY20 and FY21 Governor's vetoes of the appellate court's budget were litigated and found unconstitutional by the Superior Court. **Fiscal Analyst Comment:** The Department of Law has advised that it will not appeal the decision and will restore the FY21 vetoed funding.
2	Alaska Court System / Trial Courts	Risk Management Reduction	($99.3) Gen Fund (UGF)	The Division of Risk Management within the Department of Administration has advised the court system that its FY22 costs for general liability, workers' compensation, property and other insurance will be reduced by $99.3 over amounts charged in FY21. The court system is submitting a decrement to reflect this reduced cost. Risk Management savings are the result of an analysis of the past fifteen years of claims and a 15-year average for anticipated claim costs. Based on this analysis, Risk Management determined that it would self-insure property losses instead of purchasing high excess coverage limits on a short-term basis. **Fiscal Analyst Comment:** The decrement should be removed and the budget reduced through a fiscal note if legislation is introduced to change the statute (AS 37.05.289) to allow the catastrophe reserve account to maintain an unobligated balance of up to $50 million (an increase from the current $5 million). The Division of Risk Management has advised that this budget request is contingent on this legislation.
3	Alaska Court System / Trial Courts	Processing Marriage Licenses in Fairbanks for DHSS Health Analytics and Vital Records	$40.0 I/A Rcpts (Other)	The Division of Health Analytics and Vital Records does not have an office in Fairbanks. The Chief of this division reached out to the court system to request that the Fairbanks court perform duties associated with applying for a marriage license, obtaining a marriage license, and executing marriage licenses, and providing notary services as necessary. The court system is not required to perform this work, but has agreed to perform these duties which will be paid for by the Division of Health Analytics and Vital Records.
4	Alaska Court System / Trial Courts	OPA Court Visitors - Transfer of Responsibilities to the Alaska Court System	$960.6 Gen Fund (UGF) **1 PFT Position**	Management of court visitors in guardianship cases is proposed to move from the Department of Administration, Office of Public Advocacy (OPA), to the Alaska Court System (ACS). Both agencies share the view that there is a perceived conflict of interest because OPA is statutorily required both to represent

Judiciary

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Alaska Court System / Trial Courts	OPA Court Visitors - Transfer of Responsibilities to the Alaska Court System	$960.6 Gen Fund (UGF) **1 PFT Position**	(continued) the respondents and to provide court visitors in these matters. Based on cost information received from OPA and the escalation of the case types, the ACS estimates that a permanent, full-time position will be needed to manage this project in addition to funding required to pay the contracted visitors. This proposal is contingent on a statute change. **Fiscal Analyst Comment:** This increment should be removed and the budget increased through a fiscal note if legislation is introduced to change the statute to make ACS responsible for the program. A corresponding budget decrement of unrestricted general funds is reflected in the Department of Administration, Office of Public Advocacy budget in the amount of $854.4. According to OPA, the agency does not currently have the resources to manage the program with their limited administrative staff. If the program stays within OPA and the number of cases continues to grow, OPA may need additional funding.
5	Various	Salary Increase to Maintain Parity with Union Pay for Non-Judicial Employees	$597.3 Gen Fund (UGF)	The Governor negotiated and the legislature funded three-year contracts with several executive branch unions. Those contracts included cost of living increases of 3% for FY20, and 1% for both FY21, and FY22. The legislature approved the same cost of living adjustment for the non-judicial employees in the judicial branch (that is, for employees other than judges or justices). This funding request is for the final 1% cost of living adjustment for FY22. **Fiscal Analyst Comment:** Although this is not a contractual term under a union contract, it has been the historical practice for the legislature to approve these salary adjustments.

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2021 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Legislature

Allocation	[1] 21 CC	[2] 21 Auth	[3] 21MgtPln	[4] Adj Base	[5] Gov	[5] - [3] 21MgtPln to Gov		[5] - [4] Adj Base to Gov	
Budget and Audit Committee									
Legislative Audit	6,262.5	6,262.5	6,262.5	6,112.5	7,682.7	1,420.2	22.7 %	1,570.2	25.7 %
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	**15,427.7**	**15,427.7**	**15,427.7**	**15,277.7**	**16,847.9**	**1,420.2**	**9.2 %**	**1,570.2**	**10.3 %**
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	3,182.0	3,182.0	3,182.0	682.0	682.0	-2,500.0	-78.6 %	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	999.5	999.5	999.5	999.5	999.5	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	**24,525.3**	**24,525.3**	**24,525.3**	**22,025.3**	**22,025.3**	**-2,500.0**	**-10.2 %**	**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	**69,200.0**	**69,200.0**	**69,200.0**	**66,550.0**	**68,120.2**	**-1,079.8**	**-1.6 %**	**1,570.2**	**2.4 %**
Funding Summary									
Unrestricted General (UGF)	67,177.4	67,177.4	67,177.4	64,527.4	66,316.3	-861.1	-1.3 %	1,788.9	2.8 %
Designated General (DGF)	327.7	327.7	327.7	327.7	341.5	13.8	4.2 %	13.8	4.2 %
Other State Funds (Other)	1,694.9	1,694.9	1,694.9	1,694.9	1,462.4	-232.5	-13.7 %	-232.5	-13.7 %

Legislature

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Budget and Audit Committee / Legislative Audit	Review accounting/ reporting systems controls (FY22-FY24)	$175.0 Gen Fund (UGF) **IncT**	This temporary increment replaces a similar item that ran from FY19-FY21 for $150.0 UGF per year.
2	Budget and Audit Committee / Legislative Audit	Performance Reviews Required by Statute	$1,395.2 Gen Fund (UGF) **3 PFT Positions**	AS 44.66.020 tasks the Division of Legislative Audit with performance reviews of specific programs and agencies. After the initial performance reviews for the Departments of Corrections, Health and Social Services, and Education and Early Development, the legislature removed funding in FY17 for all remaining departments scheduled for review. As it is still a requirement in statute, Legislative Audit has requested the funding each year since it was eliminated and the legislature has denied the request each time.
3	Legislative Council / Office of Victims Rights	Replace Reduction of Restorative Justice Fund	**Net Zero** $232.5 Gen Fund (UGF) ($232.5) Rest Just (Other)	The amount of Restorative Justice Funds (formerly known as Permanent Fund Dividend Criminal funds) available for appropriation in FY22 is significantly less than the FY21 amount due to a the State issuing a smaller Permanent Fund Dividend in 2019 compared to the year prior. In FY21, the calculation was based on 9,019 ineligible Alaskans and a $1,606 dividend for the 2018 calendar year, and in FY22 it is based on 9,446 ineligible Alaskans and a $992 dividend for the 2019 calendar year. **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 the number of individuals who are ineligible for a Permanent Fund Dividend under AS 43.23.005(d) due to their criminal convictions, and the dividend amount that they would have otherwise received. The calculation is typically performed in October by the Permanent Fund Dividend Division, based on information from the previous full calendar year. The number of ineligible persons is the sum of Department of Corrections counts of incarcerated felons and misdemeanants, and Department of Public Safety counts of sentenced felons. Those forfeited funds are then available in the subsequent budget cycle for appropriation to eligible agencies. The Restorative Justice Account fund has historically demonstrated significant volatility based on fluctuations in the number of ineligible Alaskans, and

Legislature

Summary of Budget Changes
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Legislative Council / Office of Victims Rights	Replace Reduction of Restorative Justice Fund	**Net Zero** $232.5 Gen Fund (UGF) ($232.5) Rest Just (Other)	(continued) in the amount of the Permanent Fund Dividend that is distributed each year. Similar adjustments were made in the Department of Corrections for Physical Health Care, Department of Health and Social Services for Behavioral Health Treatment and Recovery Grants, and in the Department of Public Safety for the Violent Crimes Compensation Board.