

Fund Source Report

1259 AMHS UGF UGF Deposits to the AMHS Fund

Year Authorized	Year Repealed	Active?	Mental Health?	Duplicated?	Fund Group
FY19		No	No	No	Unrestricted General

No Appropriations during last 10 years

Legal Authority

Legislative Finance Division tracking code

Source of Revenue

UGF appropriations to the Alaska Marine Highway System (AMHS) fund.

Restrictions on Use

Should be used to record expenditures of UGF deposits to the AMHS fund. Program receipts should be appropriated using fund code 1076.

Description and History

The AMHS fund (code 1076) is difficult to classify accurately because it contains both:

1. program receipts (which are DGF) and
2. other appropriations (primarily UGF).

As outlined in AS 19.65.060--which pre-dates the distinction between unrestricted general funds (UGF) and designated general funds (DGF) --the expectation was that the combination of sources would fund vessel operations. The mixture of DGF and UGF within fund code 1076 was not problematic until DGF became a separate reporting category. At that point, using a single fund code that applied to both DGF and UGF became incompatible with budget reports.

Beginning in FY06, the mechanism for funding the Marine Highway System changed in an effort to increase transparency. Instead of depositing unrestricted general funds into the AMHS fund, UGF was appropriated directly to the marine highway system.

This mechanism made the amount of annual operating costs paid with unrestricted general funds perfectly clear. It also allowed the AMHS fund to operate as a stabilization fund:

1. annual receipts went into the fund, then were appropriated to pay for operations
2. general funds were appropriated directly to operations
3. if general fund appropriations and current revenue were insufficient to fund operations, the department was permitted to request authority (from the Legislative Budget and Audit Committee) to use the accumulated balance of the AMHS fund to fill the gap.

This funding mechanism worked as intended until FY18, when UGF and money from the Community Quota revolving loan fund were appropriated to the AMHS fund. The objective--reversing the declining balance of the AMHS fund--could have been achieved by replacing appropriations from the

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AMHS fund to vessel operations with direct appropriations of other money to vessel operations. The method used effectively allowed UGF going into the AMHS fund to be spent as DGF--a result that is neither transparent nor simple.

Appropriations in FY19 were more complex. A supplemental appropriation of \$24 million UGF repaired the effects of FY18 actions that were intended to cross fiscal years, and two separate UGF appropriations totaling \$28.7 million went into the AMHS fund.

In order to allow future UGF deposits into the AMHS fund to be reported as transparently as possible, a new fund code (1257) will allow money appropriated from the fund to retain the classification of money appropriated to the fund. The new code will apply to the account (within the AMHS fund) that contains money other than revenue generated by system operations.

To clean up the AMHS fund, the FY20 budget could include a supplemental (FY19) fund source change from code 1076 to 1259. The amount of the transaction is debatable. While the amount should arguably be at least the \$28.7 million UGF that was appropriated to the fund in FY19, the easier path is to make the amount \$20 million--which is clearly identifiable as a UGF deposit not connected with other transactions that attempted to "correct" the fund balance--and to declare that all money in the AMHS account can be spent with code 1076. Alternatively, parties could agree that \$20 million in the AMHS fund can be spent only by using code 1259.

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The entire AMHS Fund, including the capitalization account, was drawn down in FY21 due to revenue shortfalls. No UGF remains in the AMHS Fund, so this code is deactivated.

See

1076 Alaska Marine Highway System Fund