



Budget 101 Training

Legislative Finance Division
January 22, 2025

Goal of this Presentation

- Provide legislators and staff with basic budget information.
- An introduction to the budget process and terminology, specifically:
 - What is an appropriation?
 - What is the appropriation process?
 - What do appropriation bills look like?
 - How is an appropriation bill generated?
 - What is the Operating Budget process and timelines?
 - What are Fund Groups and why are they important?
 - Understanding the Fiscal Summary
 - Budget resources available to analyze and prepare budgets

Note: This is not a discussion of the fiscal situation or the Governor's budget submission.

Outline

- What Is the Legislative Finance Division?
- Alaska's Budget Process and Timeline
- What's in an Appropriation Bill (and What's Not)
- How to Read Budget Reports
- Fund Sources and Fund Groups
- Budget Resources

Legislative Finance Division (LFD)

- Established in 1971 by AS 24.20.211
 - Reports to Legislative Budget and Audit Committee, but works for all legislators
 - Primary duty is to “provide the finance committees of the legislature with comprehensive budget review and fiscal analysis services” (AS 24.20.231)
 - Together with Legislative Legal Services, LFD drafts the budget bills for the legislature
- Nonpartisan and policy-neutral
- Strict policy of confidentiality
- Current team of analysts has diverse range of experience
 - OMB, agency budgeting and management, Legislative Audit, Department of Revenue economists, legislative staff, etc.

Legislative Finance Division (LFD) (cont.)

- Publications including Overview of the Governor's Budget (January), Summary of Appropriations and Enacted Budget books (post-session), Indirect Expenditure Report and Inactive Funds Report (January in odd years), white papers
- Comprehensive budget reports for each step of the budget process
- Answer budget questions and provide budget information for all legislators
- LFD administers systems used widely by the legislature:
 - CAPSIS is used to gather capital project requests and backup material from local governments, nonprofits, school districts, etc.
 - Each legislator has an account and uses this to provide project requests to the capital budget co-chairs
 - LFD will offer training in this system for staff in January. We highly recommend making sure at least one staff member per office attends the training
 - Fiscal note system – used to track fiscal notes for legislation throughout the process
 - LFD will provide training in the system for all committee aides

What is an Appropriation?

Article IX, Section 13 bestows the power of appropriation on the legislature by mandating that no money can be withdrawn from the treasury without an appropriation.

Definition: An appropriation is authorization to withdraw funding from the treasury and to spend funds for a stated purpose.

Five characteristics of an appropriation:

1. Who gets the money
2. The amount of money
3. The sources of money
4. The purpose
5. The time frame

Appropriations are the basic building blocks of Alaska's budget.

What Can Be in an Appropriation Bill?

Article II, Section 13 states “Every bill shall be confined to one subject unless it is an appropriations bill or one codifying, revising, or rearranging existing laws. **Bills for appropriations shall be confined to appropriations.**”

An appropriation must occur in an appropriation bill.
A bill cannot mix a substantive bill and an appropriation bill.

What *can* be done in an appropriation bill:

- Set the amount of money a program receives, even if there is a statutory formula
- Provide funding for capital projects
- Approve or reject collective bargaining agreements
- Move money in or out of savings accounts

What *can't* be done in an appropriation bill:

- Revise statutory formulas (like the K-12 formula)
- Revise terms of collective bargaining contracts (like employee salaries)
- Change municipal responsibilities
- Increase or reduce taxes

Example: K-12 Formula

- A formula in statute that directs \$1.2 billion in Foundation Formula funding to school districts each year
- The budget *cannot* change the allocation of funds between districts – that's in statute
- The budget *cannot* change how much municipalities contribute – that's in statute
- The budget *cannot* change how much teachers are paid – that's collectively bargained by districts
- The budget *can* fully or partially fund the formula or provide additional money above the formula

What Do Appropriation Bills Look Like?

Appropriation bills contain two major parts:

- 1) **Numbers Section** (section 1 of the operating bill) generated by Legislative Finance Division
- 2) **Language Sections** generated by Legal Services

Example of a Numbers Section

"Appropriation" is often used to refer to the bold type within the numbers section of an appropriation bill.

1. Agency Name		Appropriation	General	Other
		Allocations	Funds	Funds
2. Wordage [Agency]		***** Department of Fish and Game *****		
3. Appropriation		The amount appropriated for the Department of Fish and Game includes the unexpended and unobligated balance on June 30, 2018, of receipts collected under the Department of Fish and Game's federal indirect cost plan for expenditures incurred by the Department of Fish and Game.		
		Commercial Fisheries	71,284,200	52,383,800
5. Wordage (Appropriation)		The amount appropriated for Commercial Fisheries includes the unexpended and unobligated balance on June 30, 2018, of the Department of Fish and Game receipts from commercial fisheries test fishing operations receipts under AS 16.05.050(a)(14), and from commercial member licenses.		
4. Allocations		Southeast Region Fisheries	13,253,600	18,900,400
		Management		
		Central Region Fisheries	11,090,500	
		Management		
		AYK Region Fisheries	10,143,800	
		Management		
		Westward Region Fisheries	14,503,800	
		Management		
		Statewide Fisheries	18,977,100	
		Management		
		Commercial Fisheries Entry	3,315,400	
		Commission		

Appropriations are the building blocks of the budget. The executive branch cannot move money between appropriations and must use the funding for the specified purposes.

Allocations of funding within an appropriation *can* be changed by the executive branch.

The Executive Branch calls appropriations "Results Delivery Units" or RDUs, and allocations "components."

What Do Appropriation Bills Look Like?(cont.)

Example of a Numbers Section

1. Agency Name	1	Appropriation	General	Other
2. Wordage (Agency)	2	Allocations	Items	Funds
3. Appropriation	3	***** Department of Fish and Game *****	Funds	Funds
	4	*****	*****	
	5	The amount appropriated for the Department of Fish and Game includes the unexpended and unobligated balance on June 30, 2018, of receipts collected under the Department of Fish and Game's federal indirect cost plan for expenditures incurred by the Department of Fish and Game.		
	6	Commercial Fisheries	71,284,200	52,383,800
	7	The amount appropriated for Commercial Fisheries includes the unexpended and unobligated balance on June 30, 2018, of the Department of Fish and Game receipts from commercial fisheries test fishing operations receipts under AS 16.05.050(a)(14), and from commercial member licenses.		
	8		18,900,400	
	9		Total funding	
	10			
	11			
	12			
	13			
	14	Southeast Region Fisheries	13,253,600	Funding for each allocation
	15	Management		
	16	Central Region Fisheries	11,090,500	
	17	Management		
	18	AYK Region Fisheries	10,143,800	
	19	Management		
	20	Westward Region Fisheries	14,503,800	
	21	Management		
	22	Statewide Fisheries	18,977,100	
	23	Management		
	24	Commercial Fisheries Entry	3,315,400	
	25	Commission		

Fund sources for the numbers section are laid out in Sections 2 and 3 of appropriations bills

Note what is *not* here:

- Line items for expenditures
- Position counts

These items are included in budget reports generated by LFD and OMB, but do not appear in budget bills. They provide direction to the executive branch but are not legally binding.

What Do Appropriation Bills Look Like?(cont.)

Example of Language Sections

1 (b) After the appropriation made in sec. 23(r) of this Act, the remaining balance of the
2 Alaska sport fishing enterprise account (AS 16.05.130(e)) in the fish and game fund
3 (AS 16.05.100), not to exceed \$500,000, is appropriated to the Department of Fish and Game
4 for sport fish operations for the fiscal year ending June 30, 2019.

5 * **Sec. 13.** DEPARTMENT OF HEALTH AND SOCIAL SERVICES. (a) The sum of
6 \$7,000,000 is appropriated from the Alaska comprehensive health insurance fund
7 (AS 21.55.430) to the Department of Health and Social Services, behavioral health,
8 designated evaluation and treatment, for hospital-based mental health care, for the fiscal years
9 ending June 30, 2019, and June 30, 2020.

10 (b) The sum of \$7,000,000 is appropriated from federal receipts to the Department of
11 Health and Social Services, Medicaid services, health care Medicaid services, for hospital-
12 based mental health care, for the fiscal years ending June 30, 2019, and June 30, 2020.

13 * **Sec. 14.** DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT. (a) If the
14 amount necessary to pay benefit payments from the workers' compensation benefits guaranty
15 fund (AS 23.30.082) exceeds the amount appropriated for that purpose in sec. 1 of this Act,
16 the additional amount necessary to pay those benefit payments is appropriated for that
17 purpose from the workers' compensation benefits guaranty fund (AS 23.30.082) to the
18 Department of Labor and Workforce Development, workers' compensation benefits guaranty
19 fund allocation, for the fiscal year ending June 30, 2019.

20 (b) If the amount necessary to pay benefit payments from the second injury fund
21 (AS 23.30.040(a)) exceeds the amount appropriated for that purpose in sec. 1 of this Act, the
22 additional amount necessary to make those benefit payments is appropriated for that purpose
23 from the second injury fund (AS 23.30.040(a)) to the Department of Labor and Workforce
24 Development, second injury fund allocation, for the fiscal year ending June 30, 2019.

The numbers section provides most funding for state agencies. The language section funds more complex agency items and most non-agency items like debt service.

Language section appropriations allow for estimated appropriations, conditional appropriations, multi-year appropriations, and more specificity than numbers appropriations.

How Is an Appropriation Bill Generated?

The budget structure is organized as follows:

Department/Agency =
Highest level of budget structure

Appropriation =
Second level of a budget structure and may relate to divisions within a Department/Agency

Allocations =
Lowest level of budget structure and may relate to programs within a division

Budget structure is important because it is the mechanism the legislature uses to control where funding can be spent. Funding cannot be transferred between appropriations, but it can be transferred between the various allocations within an appropriation.

Transactions are used to build the appropriation bills and include the following details:

Line Items

71000 = Personal Services
72000 = Travel
73000 = Services (contractual)
74000 = Commodities
75000 = Capital Outlay
76000 = Grants/Benefits
78000 = Miscellaneous

Position Changes

Permanent Full-time (PFT)
Permanent Part-time (PPT)
Temporary (TMP)

Funding Details

There are more than 200 funding sources and each has its own four-digit code.

Transaction Type

Used to identify what type of budget change is being made.
Examples:
Inc = Increment
Dec = Decrement
FndChg = Fund Source Change
IncT = Temporary Increment

How to Read an LFD Budget Report

- Three main types of operating budget report:
 - Summary report, showing total funding by agency/appropriation/allocation
 - Totals report, showing funding detail, line items, and position count by agency/appropriation/ allocation
 - Transaction reports, showing the transactions that build the budget
- Capital reports are similar to operating reports, but are built on projects instead of transactions. Click a project title in a capital report to see project backup
- LFD analysts can easily run reports comparing any version of the budget in any year
 - Detailed data in our budget system goes back to 2000
 - Reports can also be run as spreadsheets for easy analysis
- LFD reports apply structure and fund source reclassifications retroactively

How to read an LFD budget report (cont.)

2024 Legislature - Operating Budget Allocation Totals - FY25 Governor Structure

Numbers and Language
Agencies: Admin

Appropriation: Centralized Administrative Services
Allocation: Office of Administrative Hearings

In a Totals or Summary report, columns show totals for different versions of the budget

f Administration

	[1] 23Actual	[2] 24MgtPln	[3] AdjBase	[4] Gov	[4] - [1] 23Actual to Gov	[4] - [2] 24MgtPln to Gov	[4] - [3] AdjBase to Gov
Total	2,725.8	3,206.9	3,264.6	3,264.6	538.8 19.8 %	57.7 1.8 %	0.0
<u>Objects of Expenditure</u>							
1 Personal Services	2,298.1	2,705.1	2,800.9	2,800.9	502.8 21.9 %		
2 Travel	12.6	42.0	42.0	42.0	29.4 233.3 %		
3 Services	396.3	436.8	398.7	398.7	2.4 0.6 %		
4 Commodities	18.8	23.0	23.0	23.0	4.2 22.3 %		
5 Capital Outlay	0.0	0.0	0.0	0.0	0.0		
7 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Funding Sources</u>							
1004 Gen Fund (UGF)	123.2	94.5	96.0	621.0	497.8 404.1 %	526.5 557.1 %	525.0 546.9 %
1005 GF/Prgm (DGF)	178.4	180.0	180.0	180.0	1.6 0.9 %	0.0	0.0
1007 I/A Rcpts (Other)	2,424.2	2,932.4	2,988.6	2,463.6	39.4 1.6 %	-468.8 -16.0 %	-525.0 -17.6 %
<u>Positions</u>							
Perm Full Time				15	0		
Perm Part Time				0	0		
Temporary				0	0		
<u>Funding Summary</u>							
Unrestricted General (UGF)				621.0	497.8 404.1 %	526.5 557.1 %	525.0 546.9 %
Designated General (DGF)				180.0	1.6 0.9 %	0.0	0.0
Other State Funds (Other)				2,463.6	39.4 1.6 %	-468.8 -16.0 %	-525.0 -17.6 %

Budget reports are always in thousands of dollars:
4,419.5 means \$4,419,500

In online reports, click on a fund code name/number to see a detailed description of that funding source

Columns on the right are comparisons

How to read an LFD budget report (cont.)

Transaction Change Detail reports show the details of how the budget changes from one version to the next as you move down the page. This corresponds to the columns on the other reports.

2024 Legislature - Operating Budget Transaction Change Detail - FY25 Governor Structure

Numbers and Language

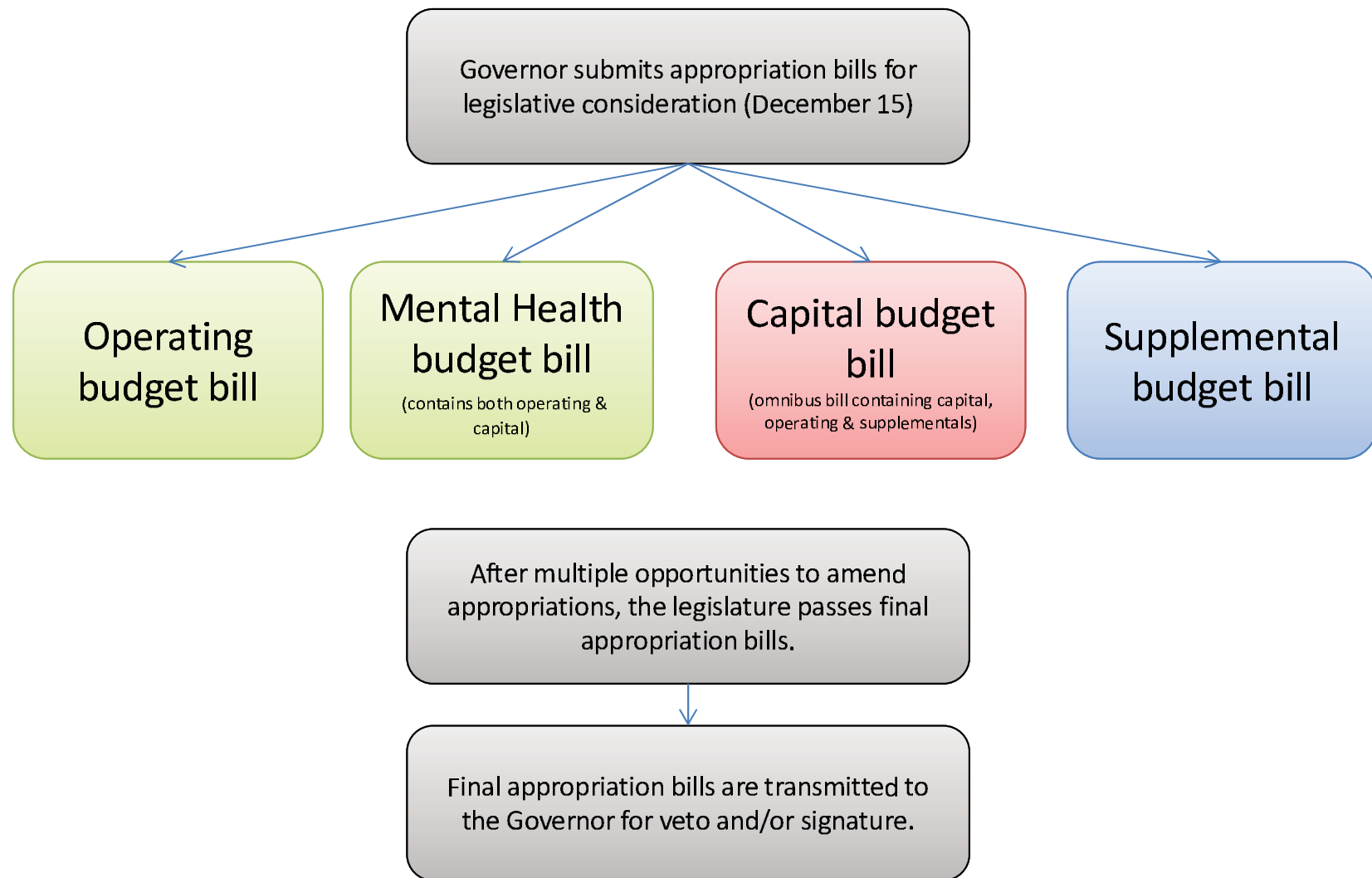
Agency: Department of Administration

Appropriation: Centralized Administrative Services
Allocation: Office of Administrative Hearings

Transaction Title	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
*** FY24 Enrolled ***												
FY24 Enrolled Numbers	24Enroll	3,206.9	2,756.6	42.0	385.3	23.0	0.0	0.0	0.0	15	0	0
1004 Gen Fund (UGF)		94.5										
1005 GF/Prgm (DGF)		180.0										
1007 I/A Rcpts (Other)		2,932.4										
FY24 Enrolled Total		3,206.9	2,756.6	42.0	385.3	23.0	0.0	0.0	0.0	15	0	0
*** Changes from FY24 Enrolled to FY24 Authorized ***												
FY24 Authorized Total		3,206.9	2,756.6	42.0	385.3	23.0	0.0	0.0	0.0	15	0	0
*** Changes from FY24 Authorized to FY24 Management Plan ***												
Align Authority with Anticipated Expenditures	LIT	0.0	-51.5	0.0	51.5	0.0	0.0	0.0	0.0	0	0	0
FY24 Management Plan Total		3,206.9	2,705.1	42.0	436.8	23.0	0.0	0.0	0.0	15	0	0
*** Changes from FY24 Management Plan to FY25 Adjusted Base ***												
FY2025 Salary, Health Insurance, and PERS Rate Adjustments	SalAdj	57.7	57.7	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund (UGF)		1.5										
1007 I/A Rcpts (Other)		56.2										
Align Authority with Anticipated Expenditures	LIT	0.0	38.1	0.0	-38.1	0.0	0.0	0.0	0.0	0	0	0
FY25 Adjusted Base Total		3,264.6	2,800.9	42.0	398.7	23.0	0.0	0.0	0.0	15	0	0
*** Changes from FY25 Adjusted Base to Gov's FY25 Operating Budget ***												
Replace IA/Receipts with General Funds to Avoid Significant Rate Increases to Clients Due to FY24 Salary Increases	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund (UGF)		525.0										
1007 I/A Rcpts (Other)		-525.0										
Gov's FY25 Operating (12/15) Total		3,264.6	2,800.9	42.0	398.7							

In an online report, click the transaction title to see a detailed description

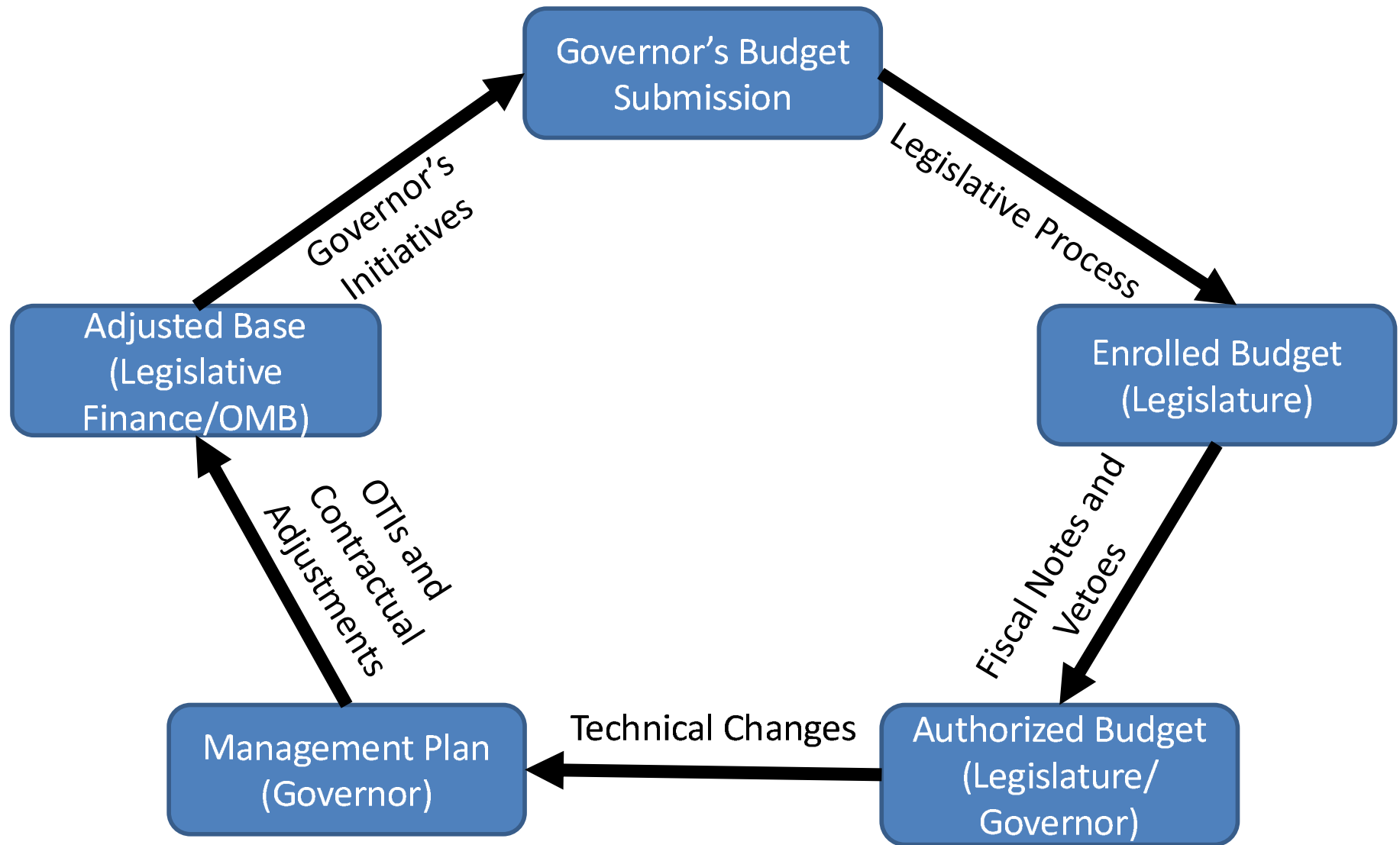
What is the Appropriation Process?



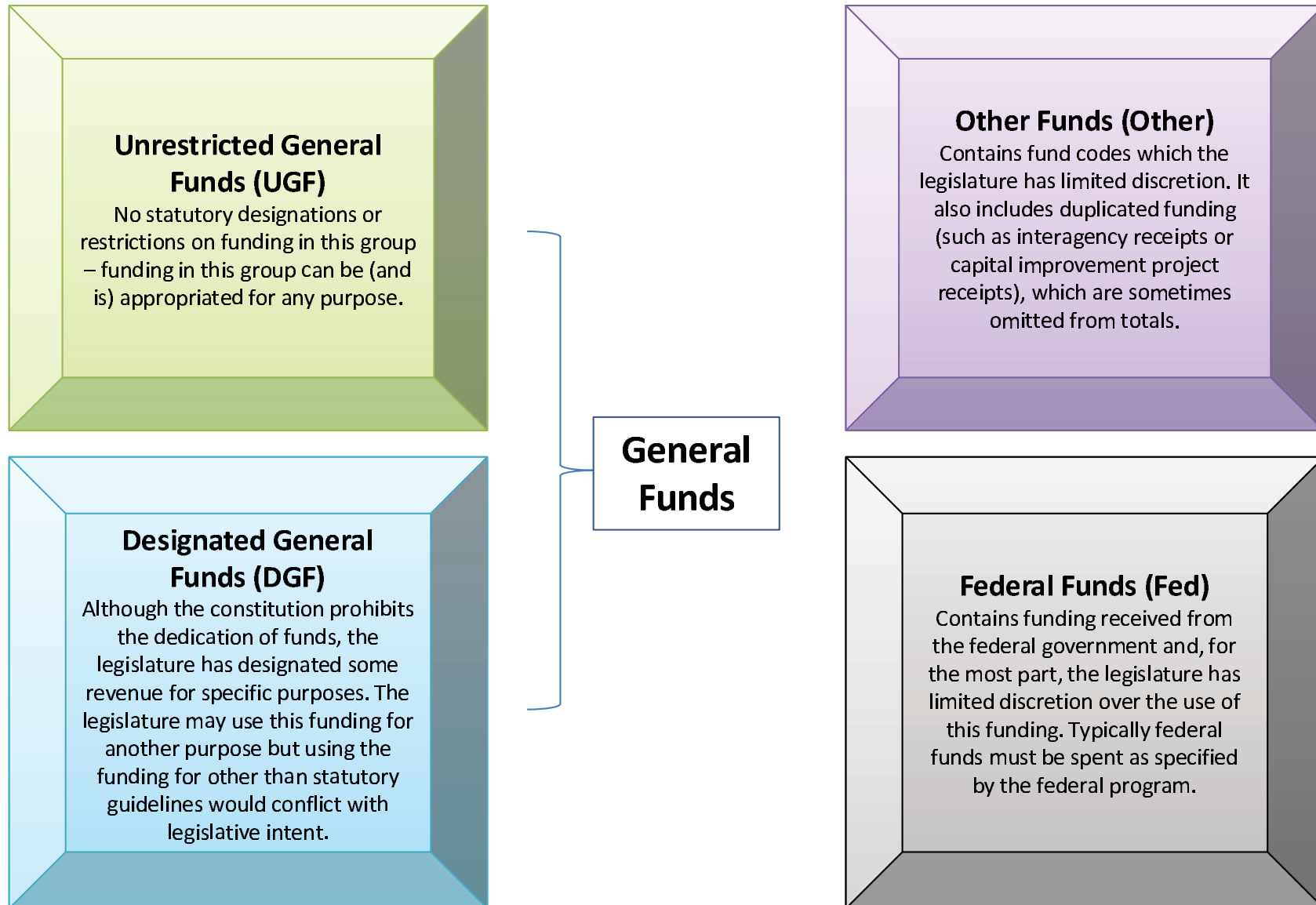
Incremental Budgeting

- Alaska uses an incremental budgeting system for the operating budget, meaning each year's budget is built based on the previous year's budget.
- Changes are reflected relative to the previous year's budget – Legislature calls these “transactions,” Executive Branch calls these “change records.”
- Alaska has at times experimented with zero-based budgeting, in which the budget is built from the ground up each year.
 - This is how the capital budget is developed
 - Some public entities, such as the Mental Health Trust, use this method for their operating budget

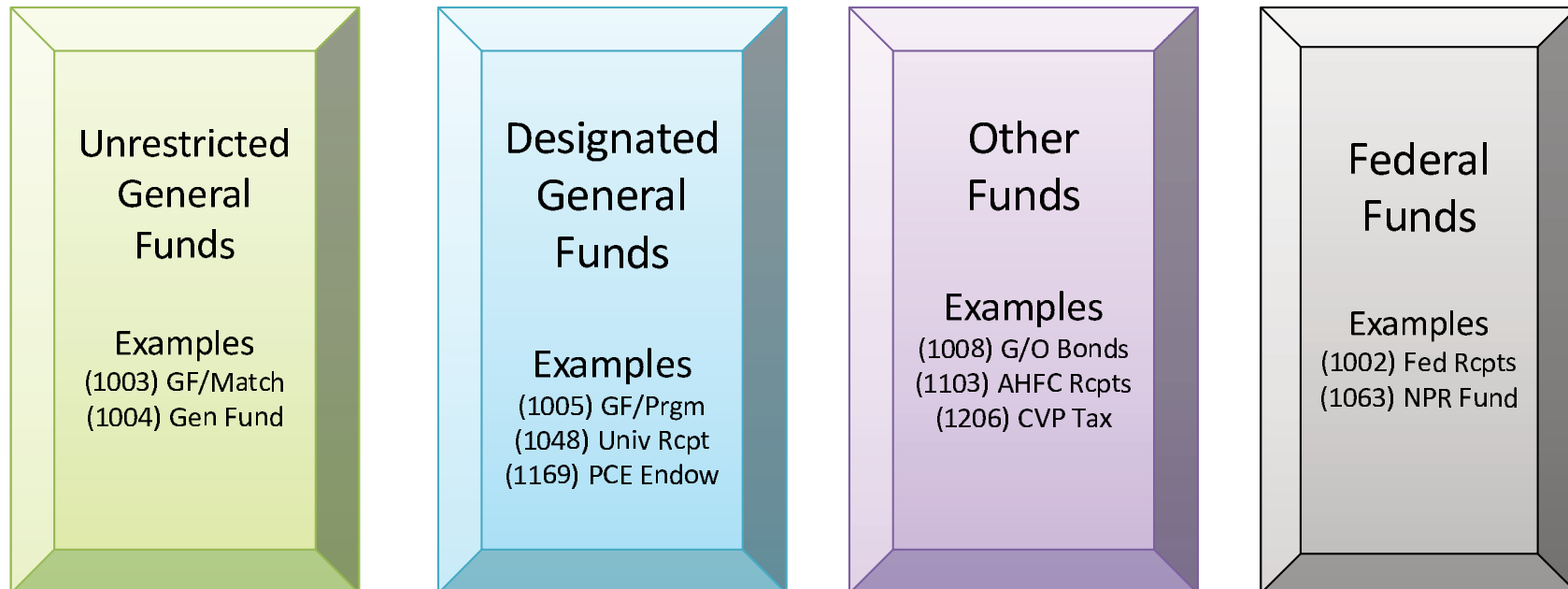
Operating Budget Cycle



What Are the Fund Groups?



Why are Fund Groups important?



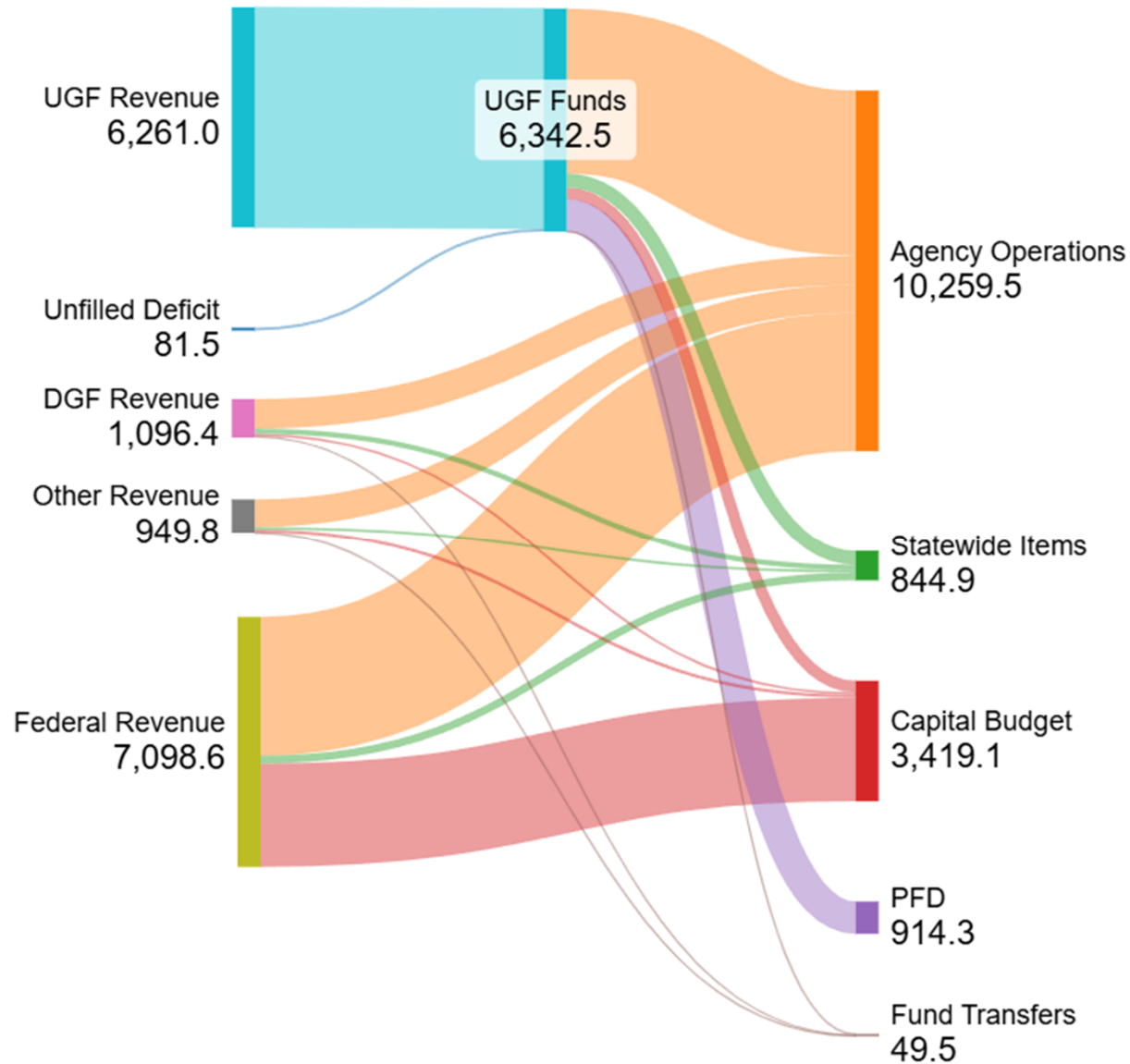
Legislature's discretion on use of funds.



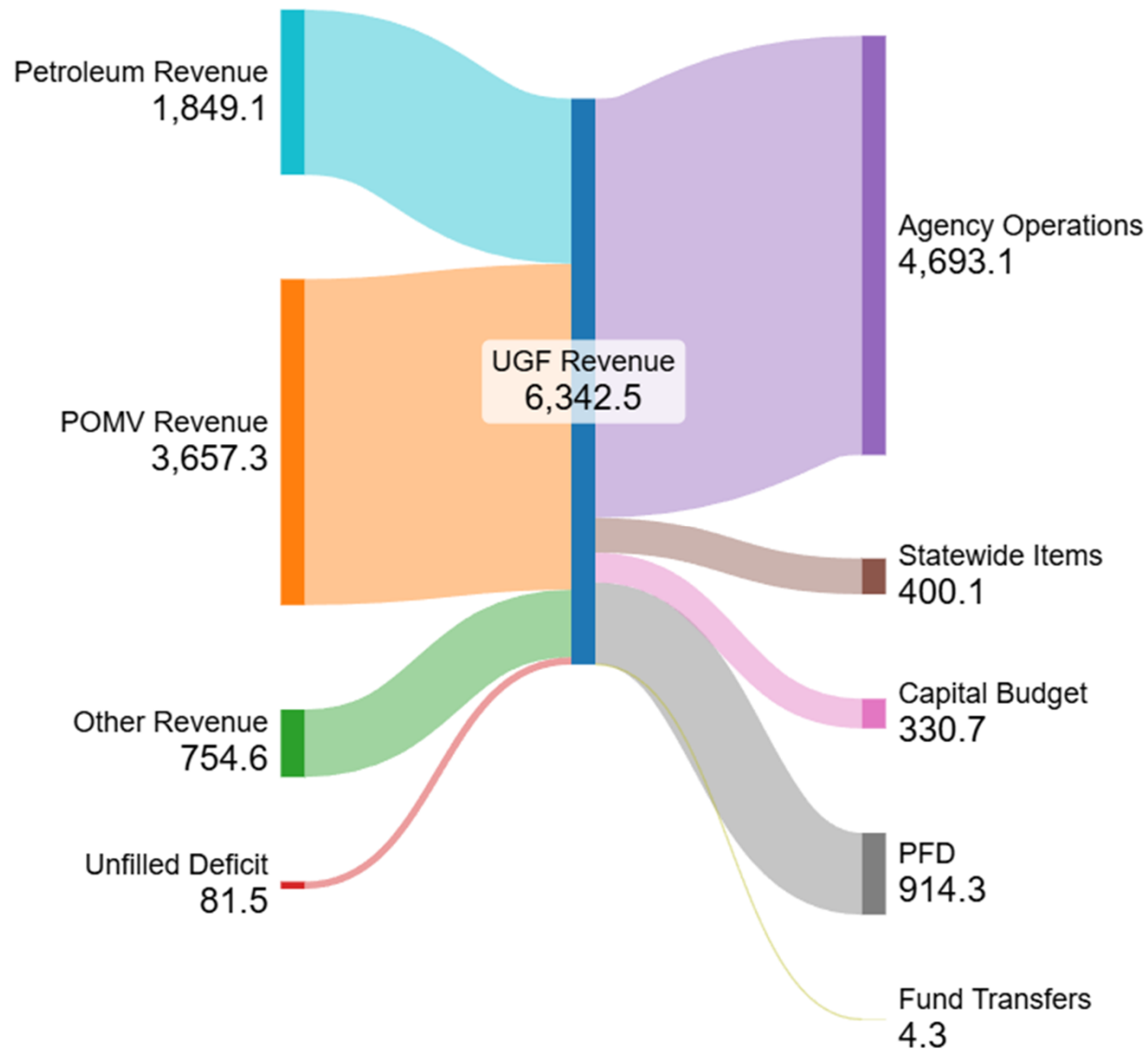
“Real Money” versus “Receipt Authority”

- UGF and fund balances where actual cash has been received is “real money” – if they are appropriated, the agency can spend it
- Other budget authorization, such as program receipts and federal funding, is “receipt authority” – agencies can only spend the money if they can collect the revenue
- Cutting “hollow” or “uncollected” receipt authority (authority for which cash was not received) does not reduce the budget deficit
- Discussions of the State’s fiscal position typically revolve around UGF spending and revenue, while discussions of the size and scope of government typically include analysis of all fund sources

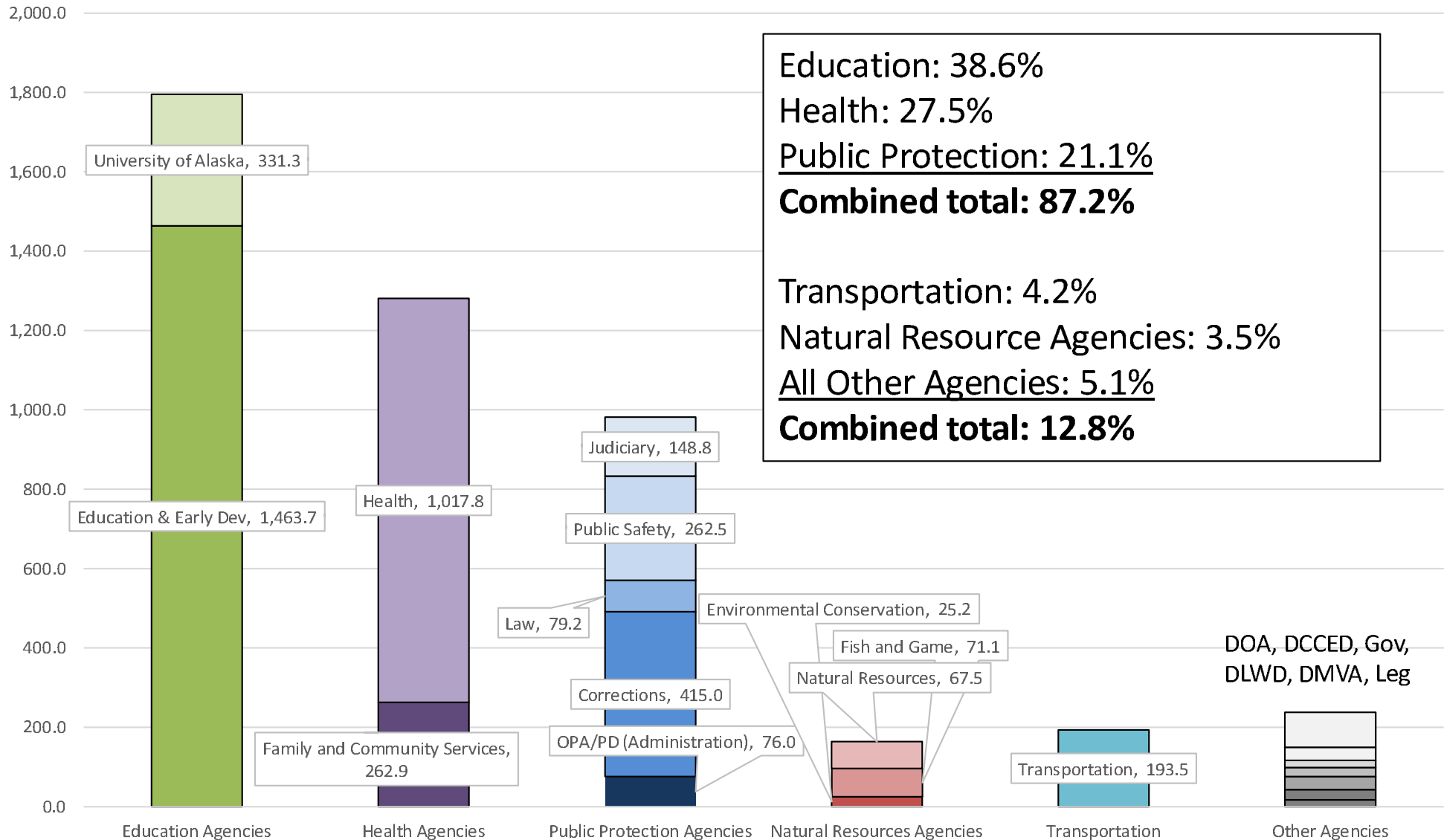
FY25 All Funds Revenue and Budget



FY25 UGF Revenue and Budget



FY25 UGF Agency Operations by Function



Budget Resources

1) Fiscal Summary

<http://www.legfin.akleg.gov/FisSum/DisplayReports.php>

There are three parts to the Fiscal Summary:

- 1) Short Fiscal Summary
- 2) Detailed Fiscal Summary
- 3) Balance of Reserve Accounts

UGF Short Fiscal Summary - FY24/FY25 Budget					
	(\$ Millions) (Unrestricted General Funds)	FY24 Budget	FY25 Enacted	Change, FY24 to FY25	
1	Revenue	6,591.8	6,448.5	(143.3)	-2.2%
2	UGF Revenue (DOR Spring 2024 Forecast)	3,017.9	2,791.3	(226.6)	-7.5%
3	POMV Draw	3,526.0	3,657.2	131.2	3.7%
4	Misc/Adjust	47.9	-	(47.9)	
5	Appropriations	6,465.7	6,297.3	(168.5)	-2.6%
6	Operating Budget	5,097.4	5,052.3	(45.2)	-0.9%
7	Agency Operations	4,411.1	4,652.2	241.1	5.5%
8	Statewide Items	346.8	400.1	53.3	15.4%
9	Energy Relief Payment*	143.5	-	(143.5)	-100.0%
10	Supplemental Appropriations	196.1	-	(196.1)	
11	Capital Budget	486.8	330.7	(156.1)	-32.1%
12	Current Year Appropriations	360.2	330.7	(29.5)	-8.2%
13	Supplemental Appropriations	126.6	-	(126.6)	
14	Permanent Fund	881.5	914.3	32.8	3.7%
15	Permanent Fund Dividends	881.5	914.3	32.8	3.7%
16	Pre-Transfer Surplus/(Deficit)	126.1	151.2		
17	Fund Transfers	156.7	4.3		
18	Supplemental Fund Transfers	(143.5)	-		
19	Post-Transfer Surplus/(Deficit)	112.8	146.9		
Reserve Balances (EOY)					
		FY24	FY25		
	SBR	-	-		
	CBR	2,776.0	3,017.3		
	ERA	8,022.7	8,024.5		

*The Enacted budget appropriates up to \$190.3 million to energy relief from FY24 revenue, to be paid out in FY25, based on the amount of revenue actually received during the fiscal year. The full amount would be paid out under the Spring 2024 revenue forecast.

September 24, 2024

Budget Resources (continued)

2) Alaska Legislative Budget Handbook

(The Swiss Army Knife Guide to Budget)

<http://www.legfin.akleg.gov/Other/BudgetHandbook20.pdf>



Alaska Legislative Budget Handbook

For Legislators and Legislative Staff

NOVEMBER, 2020



PROVIDED BY THE ALASKA LEGISLATIVE FINANCE DIVISION

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

<http://www.legfin.akleg.gov/Overview/SelectYear.php>

The Fiscal Year 2025 Budget: Legislative Fiscal Analyst's Overview of the Governor's Request



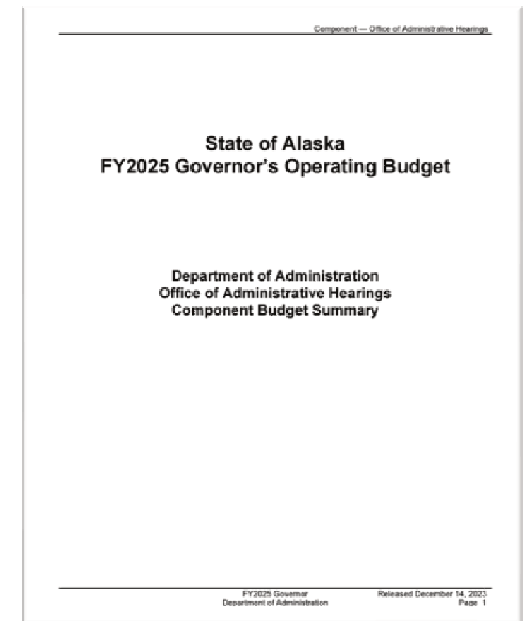
Legislative Finance Division
www.legfin.akleg.gov

Budget Resources (continued)

4) Governor's Budget Summary Books (*Governor's Detail Budget Books*)

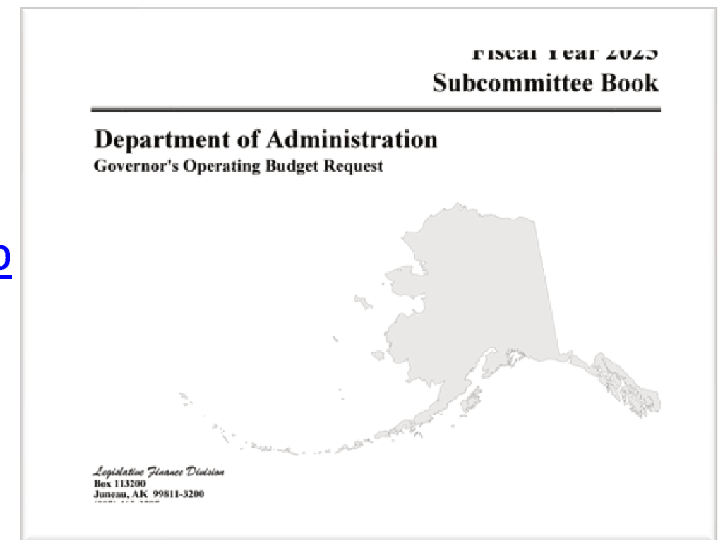
<https://www.omb.alaska.gov/>

Also available in both House and Senate Finance committee Rooms and may be checked out by staff.



5) Governor's Operating Budget Request Books (*Subcommittee Books*)

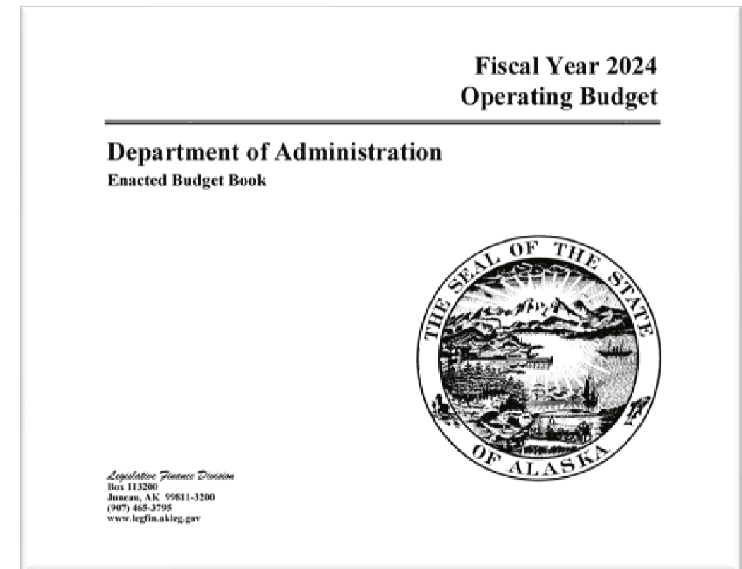
<http://www.legfin.akleg.gov/GovBooks/GovBooks.php>



Budget Resources (continued)

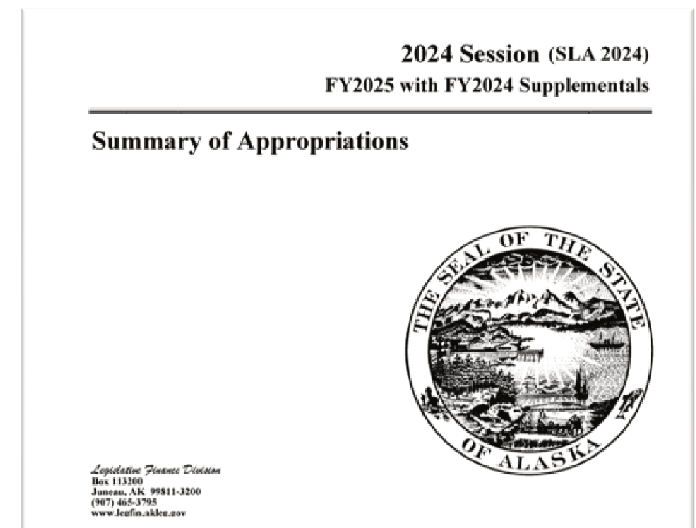
6) Enacted Budget Books *(formerly Conference Committee books)*

<http://www.legfin.akleg.gov/CCBooks/CCBooks.php>



7) Summary of Appropriations

<http://www.legfin.akleg.gov/Summary/SelectYear.php>



Budget Resources (continued)

8) Legislative Finance Division Website

<http://www.legfin.akleg.gov/index.php>

Budget Reports

Informational Papers

Fiscal Note System

CAP SIS (Capital Project Submission and Information System)

Analysis Tools

9) Office of Management & Budget (OMB) Website

<https://www.omb.alaska.gov//>

Budget Reports

Performance Measures

10-Year Plan

Capital Appropriation Status Reports

Guide to OMB Budget Reports

