

FY17 OPERATING BUDGET AMENDMENT #7

Offered In: The Senate Finance Committee

To: SB 139

Offered By: Senator Kelly

DEPARTMENT: Office of the Governor

APPROPRIATION: Office of Management and Budget

ALLOCATION: Office of Management and Budget

ADD: It is the intent of the legislature that the office of management and budget work with executive branch agencies to reduce hollow receipt authority when preparing the Fiscal Year 2018 budget.

Explanation:

Hollow receipt authority refers to excess authorization in a budget bill for funding sources that are not unrestricted general funds.

There are many reasons for this. An agency does not know at the time the legislature approves a budget how much the state will get in federal funds or how much it may collect in fees for licenses, vehicle or business registrations, permits, university tuition, cruise ship passenger head taxes, and other sources. It only can provide legislators an estimate for all that. More often than not, that number may be more than what a department will actually get. In other cases, an estimate may initially be accurate, but, over time, federal grants may shrink or revenue sources may decline.

As a result, in many departments, the legislature approves receipt authority that does not have real money behind it – thus inflating the apparent cost of state government. The purpose of the intent language is to have the Office of Management and Budget work with state agencies, allocation by allocation, to determine what each one truly needs in receipt authority and, thus, provide figures that more accurately represent the state budget and produce a clearer and leaner picture of state spending for both legislators and the public.

This work is not unprecedented. In 2013, the Legislative Finance Division, the House Finance Committee, and the University of Alaska worked together to reduce University hollow receipt authority which, according to one estimate at the time, was in excess of \$40 million in designated general funds (DGF). The budget approved by the legislature and enacted into law that year ended up reducing University hollow receipts by nearly \$36 million in DGF – \$36 million less than what the governor had proposed.

Similar work applied to next year's budget cycle would help provide a clearer, leaner, more accurate picture of state spending and bring more clarity to the nature of hollow receipt authority and how much of it each agency truly needs.