

CS FOR HOUSE BILL NO. 125(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 3/16/07

Referred: Rules

Sponsor(s): HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to budget planning and a fiscal plan for the State of Alaska."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 *** Section 1.** AS 37.07.020(b) is amended to read:

4 (b) In addition to the budget and bills submitted under (a) of this section, the
5 governor shall submit a capital improvements program [AND FINANCIAL PLAN]
6 covering the succeeding six fiscal years. Except during the first year of the
7 governor's first term of office, the governor shall also submit a fiscal plan with
8 estimates of significant sources and uses of funds for the succeeding 10 fiscal
9 years. The fiscal plan

10 (1) must include sufficient details to identify

11 (A) significant sources of funds;

12 (B) significant uses of funds, including lump sum
13 projections of

14 (i) operating expenditures;

15 (ii) capital expenditures;

1 (iii) debt service expenditures;

2 (iv) fund capitalizations;

3 (v) appropriations of income of the Alaska
 4 permanent fund (art. IX, sec. 15, Constitution of the State of
 5 Alaska), if any;

6 (2) must balance sources and uses of funds held while providing
 7 for essential state services and protecting the economic stability of the state;

8 (3) must include projected balances of significant funds held in
 9 separate accounts, including but not limited to the budget reserve fund (art. IX,
 10 sec. 17, Constitution of the State of Alaska), the public education fund
 11 (AS 14.17.300), and the Alaska capital income fund (AS 37.05.565);

12 (4) may, at the discretion of the governor, also include
 13 recommendations to

14 (A) encourage economic growth and stability, maintain a
 15 high quality of life, responsibly develop the state's natural resources,
 16 educate the children of the state, and maintain public health, safety, and
 17 welfare;

18 (B) provide services as efficiently as practicable and reduce
 19 state expenditures where possible;

20 (C) establish policies that protect the principal of the
 21 Alaska permanent fund over time while using the income of the fund to

22 (i) offset the effect of inflation on the principal of the
 23 fund;

24 (ii) maintain a strong permanent fund dividend
 25 program;

26 (iii) retain the legislature's flexibility to determine
 27 the appropriate use of the remaining income of the fund;

28 (D) raise revenue for the operation of state government
 29 while maintaining a stable tax environment; and

30 (E) provide adequate reserve funds to mitigate the
 31 consequences of market price volatility on state revenue from resources;

1 **(5) may include a list of reports, plans, and other materials relied**
 2 **on in the preparation of the fiscal plan, together with a brief description of the**
 3 **relevance of the materials and how to obtain paper or electronic copies of the**
 4 **material.**

5 * **Sec. 2.** AS 37.07.020(c) is amended to read:

6 (c) Proposed expenditures may not exceed estimated revenue for the
 7 succeeding fiscal year. The expenditures proposed in the six-year capital
 8 improvements program [AND FINANCIAL PLAN] may not exceed the estimated
 9 revenue and bond authorizations passed and proposed.

10 * **Sec. 3.** AS 37.07.040 is amended to read:

11 **Sec. 37.07.040. Office of management and budget.** The Alaska office of
 12 management and budget shall

13 (1) assist the governor in **meeting the requirements of AS 37.07.020**
 14 [THE PREPARATION AND EXPLANATION OF THE PROPOSED
 15 COMPREHENSIVE PROGRAM AND FINANCIAL PLAN], including the
 16 coordination and analysis of state agency goals and objectives, plans, and budget
 17 requests;

18 (2) prepare for submission to the governor an annually updated six-
 19 year capital improvements program and the proposed capital improvements budget for
 20 the coming fiscal year, the latter to include individual project justification with
 21 documentation of estimated project cost;

22 (3) develop procedures to produce the information needed for effective
 23 policy decision making, including procedures to provide for the dissemination of
 24 information about plans, programs, and budget requests to be included in the annual
 25 budget and opportunity for public review and comment during the period of budget
 26 preparation;

27 (4) assist state agencies in their statement of goals and objectives to
 28 achieve, among other things, the legislature's mission and desired results, preparation
 29 of plans, assessments of the extent to which missions and desired results have been
 30 achieved, budget requests, and reporting of program performance; all documents
 31 forwarded by the office to a state agency containing instructions for the preparation of

1 program plans and budget requests and the reporting of program performance are
2 public information after the date they are forwarded;

3 (5) administer its responsibilities under the program execution
4 provisions of this chapter so that the policy decisions and budget determinations of the
5 governor and the legislature are implemented;

6 (6) provide the legislative finance division with the budget information
7 it may request;

8 (7) provide the legislative finance division with an advance copy of the
9 governor's budget workbooks by the first Monday in January of each year, except that
10 following a gubernatorial election year the advance copy shall be provided by the
11 second Monday in January;

12 (8) prepare the proposed capital improvements budget for the coming
13 fiscal year evaluating both state and local requests from the standpoint of need, equity,
14 and priorities of the jurisdiction; other factors such as project amounts, population,
15 local financial match, federal funds being used for local match, municipality or
16 unincorporated community acceptance of the facility, and all associated costs of the
17 facility may be considered;

18 (9) for each department in the executive branch, report to the
19 legislature by the 45th day of each regular session the amount of money appropriated
20 to the department that is expected to lapse into the general fund at the end of the
21 current fiscal year;

22 (10) establish and administer a state agency program performance
23 management system involving planning, performance budgeting, performance
24 measurement, and program evaluation; the office shall ensure that information
25 generated under this system is useful for managing and improving the efficiency and
26 effectiveness of agency operations.

27 * **Sec. 4.** AS 37.07.060 is amended to read:

28 **Sec. 37.07.060. Governor's recommendation.** (a) The governor shall
29 formulate the operating and capital budget, capital improvements program,
30 [PROGRAMS] and fiscal plan [FINANCIAL PLANS] required to be recommended
31 to the legislature by AS 37.07.020 after considering the state agency proposed

1 program and financial plans **prepared in accordance with AS 37.07.050**, and other
 2 programs and alternatives that the governor considers appropriate. The plans must
 3 include the governor's recommended missions and results, recommended strategies to
 4 implement the missions and results, recommended measures for determining whether
 5 the missions and desired results are achieved, including an assessment of whether
 6 prior year missions and desired results have been achieved, recommended operating
 7 program for the succeeding fiscal year, recommended capital improvements program
 8 for the succeeding six fiscal years, recommended programs for the upgrading of public
 9 buildings and facilities prepared in accordance with AS 35.10.015, and recommended
 10 revenue measures to support the programs.

11 (b) The governor shall present the proposed comprehensive operating and
 12 capital improvements programs, and **fiscal plan if it is required under**
 13 **AS 37.07.020(b)**, [FINANCIAL PLANS] in a message to a joint session of the
 14 legislature before the fourth legislative day following the convening of the legislature
 15 in regular session. The message must be accompanied by an explanatory report that
 16 summarizes recommended goals, plans, and appropriations. The report must contain

17 (1) the coordinated program goals and objectives **that** [WHICH] the
 18 governor recommends to guide the decisions on the proposed program plans and
 19 budget appropriations;

20 (2) the governor's operating program and budget recommendations for
 21 the succeeding fiscal year organized by agency as required by AS 37.07.020(a);

22 (3) the governor's capital improvements program and budget
 23 recommendations for the succeeding fiscal year and capital improvements program for
 24 the succeeding six fiscal years, which must include

25 (A) a description of each project, its estimated cost for the year
 26 construction is to start and the estimated cost of the project adjusted for
 27 inflation over the estimated period of construction, and the source of financing
 28 for the project; the project description for a new building or a new facility or
 29 for a major addition to a building or facility should include a site plan,
 30 preliminary drawings, and architect's or engineer's total cost estimate for the
 31 project;

1 (B) a summary of projects previously authorized and not yet
2 completed;

3 (C) a summary, listed by agency, of all previously proposed
4 projects that have been deferred beyond the six years covered by the plan and
5 the year in which construction has been rescheduled to begin;

6 (D) a forecast of the debt structure of the state and the various
7 debt ratios over the life of the state's bonds outstanding, bonds authorized and
8 to be issued, and bond authorizations recommended in the plan;

9 (E) a description of additional revenue measures needed to
10 finance the plan in lieu of debt;

11 (F) bond election bills to authorize the bonds required to fund
12 the projects scheduled for the first three years of the plan;

13 (G) projections of population of the state and its regions and
14 communities;

15 (H) economic data and projections necessary for the evaluation
16 of the plan;

17 (4) a summary of state receipts in the last fiscal year, a revised estimate
18 for the current fiscal year, and an estimate for the succeeding fiscal year;

19 (5) a summary of expenditures during the last fiscal year, those
20 authorized for the current fiscal year, and an estimate for the succeeding fiscal year;

21 (6) any additional information that will facilitate understanding of the
22 governor's proposed programs and financial plans by the legislature and the public.

23 * **Sec. 5.** AS 37.07.070 is amended to read:

24 **Sec. 37.07.070. Legislative review.** The legislature shall consider the
25 governor's proposed comprehensive operating and capital improvements programs,
26 and fiscal plan if it is required under AS 37.07.020(b) [FINANCIAL PLANS],
27 evaluate alternatives to the plans, make program selections among the various
28 alternatives, and determine, subject to available revenues, the level of funding required
29 to support authorized state services. The presiding officer of each house may refer
30 the fiscal plan to one or more committees. If the fiscal plan is referred, the first
31 committee of referral shall hold at least one hearing on it. The operating and

1 capital budgets of each agency shall be separately reviewed. During each regular
2 session of the legislature, legislative review of the governor's supplemental
3 appropriation bills and the governor's budget amendments **are** [SHALL BE] governed
4 by the following time limits:

5 (1) requests by the governor for supplemental appropriations for state
6 agency operating and capital budgets for the current fiscal year may be introduced by
7 the rules committee only through the 30th legislative day;

8 (2) requests by the governor for budget amendments to state agency
9 budgets for the budget fiscal year may be received and reviewed by the finance
10 committees only through the 45th legislative day.

11 * **Sec. 6.** AS 37.14.003(a) is amended to read:

12 (a) **At** [THE GOVERNOR SHALL, AT] the time the governor submits the
13 **report** [PROPOSED COMPREHENSIVE OPERATING AND CAPITAL
14 IMPROVEMENTS PROGRAM AND FINANCIAL PLAN] under AS 37.07.060(b),
15 **the governor shall** submit to the legislature a separate appropriation bill limited to
16 appropriations for the state's integrated comprehensive mental health program.