

SENATE CS FOR CS FOR HOUSE BILL NO. 125(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 3/25/08

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. **The governor shall also submit a fiscal**
7 **plan with estimates of significant sources and uses of funds for the succeeding 10**
8 **fiscal years. The fiscal plan**

9 **(1) must include sufficient details to identify**

10 **(A) significant sources of funds;**

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

13 **(i) operating expenditures;**

14 **(ii) capital expenditures;**

15 **(iii) debt service expenditures;**

1 (iv) fund capitalizations;

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

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

7 (3) must include projected balances of significant funds held in
 8 separate accounts, including the budget reserve fund (art. IX, sec. 17,
 9 Constitution of the State of Alaska), the public education fund (AS 14.17.300),
 10 and the Alaska capital income fund (AS 37.05.565);

11 (4) must set out significant assumptions used in the projections
 12 with sufficient detail to enable the legislature to rely on the fiscal plan in
 13 understanding, evaluating, and resolving issues of state budgeting, including
 14 information that supports major areas of operating increases, such as population
 15 demographics that affect the need for particular government services.

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

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

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

22 **Sec. 37.07.040. Office of management and budget.** The Alaska office of
 23 management and budget shall

24 (1) assist the governor in meeting the requirements of AS 37.07.020
 25 [THE PREPARATION AND EXPLANATION OF THE PROPOSED
 26 COMPREHENSIVE PROGRAM AND FINANCIAL PLAN], including the
 27 coordination and analysis of state agency goals and objectives, plans, and budget
 28 requests;

29 (2) prepare for submission to the governor an annually updated six-
 30 year capital improvements program and the proposed capital improvements budget for
 31 the coming fiscal year, the latter to include individual project justification with

1 documentation of estimated project cost;

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

7 (4) assist state agencies in their statement of goals and objectives to
8 achieve, among other things, the legislature's mission and desired results, preparation
9 of plans, assessments of the extent to which missions and desired results have been
10 achieved, budget requests, and reporting of program performance; all documents
11 forwarded by the office to a state agency containing instructions for the preparation of
12 program plans and budget requests and the reporting of program performance are
13 public information after the date they are forwarded;

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

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

19 (7) provide the legislative finance division with an advance copy of the
20 governor's budget workbooks at least seven days before the legislature convenes in a
21 regular session;

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

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

1 (10) establish and administer a state agency program performance
 2 management system involving planning, performance budgeting, performance
 3 measurement, and program evaluation; the office shall ensure that information
 4 generated under this system is useful for managing and improving the efficiency and
 5 effectiveness of agency operations.

6 * **Sec. 4.** AS 37.07 is amended by adding a new section to read:

7 **Sec. 37.07.045. Debt affordability analysis.** The Department of Revenue shall
 8 prepare a report that includes an inventory of state bonded debt, an estimate of state
 9 bonded debt that will be acquired within the next three years, and an evaluation of
 10 debt affordability. The report must conform to rating agency requirements for a debt
 11 affordability study. By January 31 each year, the report must be provided to the
 12 legislature for use in budget planning and made available to the public.

13 * **Sec. 5.** AS 37.07.060 is amended to read:

14 **Sec. 37.07.060. Governor's recommendation.** (a) The governor shall
 15 formulate the operating and capital budget, capital improvements program,
 16 [PROGRAMS] and fiscal plan [FINANCIAL PLANS] required to be recommended
 17 to the legislature by AS 37.07.020 after considering the state agency proposed
 18 program and financial plans prepared in accordance with AS 37.07.050, and other
 19 programs and alternatives that the governor considers appropriate. The plans must
 20 include the governor's recommended missions and results, recommended strategies to
 21 implement the missions and results, recommended measures for determining whether
 22 the missions and desired results are achieved, including an assessment of whether
 23 prior year missions and desired results have been achieved, recommended operating
 24 program for the succeeding fiscal year, recommended capital improvements program
 25 for the succeeding six fiscal years, recommended programs for the upgrading of public
 26 buildings and facilities prepared in accordance with AS 35.10.015, and recommended
 27 revenue measures to support the programs.

28 (b) The governor shall present the proposed comprehensive operating and
 29 capital improvements programs, and fiscal plan if it is required under
 30 AS 37.07.020(b), [FINANCIAL PLANS] in a message to a joint session of the
 31 legislature before the fourth legislative day following the convening of the legislature

1 in regular session. The message must be accompanied by an explanatory report that
2 summarizes recommended goals, plans, and appropriations. The report must contain

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

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

8 (3) the governor's capital improvements program and budget
9 recommendations for the succeeding fiscal year and capital improvements program for
10 the succeeding six fiscal years, which must include

11 (A) a description of each project, its estimated cost for the year
12 construction is to start and the estimated cost of the project adjusted for
13 inflation over the estimated period of construction, and the source of financing
14 for the project; the project description for a new building or a new facility or
15 for a major addition to a building or facility should include a site plan,
16 preliminary drawings, and architect's or engineer's total cost estimate for the
17 project;

18 (B) a summary of projects previously authorized and not yet
19 completed;

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

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

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

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

30 (G) projections of population of the state and its regions and
31 communities;

1 (H) economic data and projections necessary for the evaluation
2 of the plan;

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

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

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

9 * **Sec. 6.** AS 37.07.070 is amended to read:

10 **Sec. 37.07.070. Legislative review.** The legislature shall consider the
11 governor's proposed comprehensive operating and capital improvements programs,
12 and fiscal plan if it is required under AS 37.07.020(b) [FINANCIAL PLANS],
13 evaluate alternatives to the plans, make program selections among the various
14 alternatives, and determine, subject to available revenues, the level of funding required
15 to support authorized state services. The presiding officer of each house may refer
16 the fiscal plan to one or more committees. If the fiscal plan is referred, the first
17 committee of referral shall hold at least one hearing on it. The operating and
18 capital budgets of each agency shall be separately reviewed. During each regular
19 session of the legislature, legislative review of the governor's supplemental
20 appropriation bills and the governor's budget amendments are [SHALL BE] governed
21 by the following time limits:

22 (1) requests by the governor for supplemental appropriations for state
23 agency operating and capital budgets for the current fiscal year may be introduced by
24 the rules committee only through the 15th legislative day;

25 (2) requests by the governor for budget amendments to state agency
26 budgets for the budget fiscal year may be received and reviewed by the finance
27 committees only through the 30th legislative day.

28 * **Sec. 7.** AS 37.14.003(a) is amended to read:

29 (a) At [THE GOVERNOR SHALL, AT] the time the governor submits the
30 report [PROPOSED COMPREHENSIVE OPERATING AND CAPITAL
31 IMPROVEMENTS PROGRAM AND FINANCIAL PLAN] under AS 37.07.060(b),

1 **the governor shall** submit to the legislature a separate appropriation bill limited to
2 appropriations for the state's integrated comprehensive mental health program.