

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

April 24, 2024

6:22 p.m.

MEMBERS PRESENT

Representative Ben Carpenter, Chair
Representative Jamie Allard
Representative Tom McKay
Representative Kevin McCabe
Representative Cathy Tilton
Representative Andrew Gray
Representative Cliff Groh

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 194

"An Act relating to the duties of the Legislative Budget and Audit Committee; relating to the Executive Budget Act; establishing consensus estimating conferences; relating to the development of official information for use in preparing the state budget; and providing for an effective date."

- MOVED CSSSHB 194 (W&M) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 194

SHORT TITLE: CONSENSUS ESTIMATING CONFERENCES; BUDGET

SPONSOR(S): REPRESENTATIVE(S) CARPENTER

05/08/23	(H)	READ THE FIRST TIME - REFERRALS
05/08/23	(H)	W&M, FIN
05/10/23	(H)	W&M AT 6:00 PM DAVIS 106
05/10/23	(H)	<Bill Hearing Canceled>
05/15/23	(H)	SPONSOR SUBSTITUTE INTRODUCED
05/15/23	(H)	READ THE FIRST TIME - REFERRALS
05/15/23	(H)	W&M, FIN
05/15/23	(H)	W&M AT 6:00 PM DAVIS 106
05/15/23	(H)	-- MEETING CANCELED --
01/24/24	(H)	W&M AT 6:00 PM DAVIS 106
01/24/24	(H)	<Bill Hearing Canceled>

02/21/24	(H)	W&M AT 6:00 PM DAVIS 106
02/21/24	(H)	-- MEETING CANCELED --
03/13/24	(H)	W&M AT 6:00 PM DAVIS 106
03/13/24	(H)	Heard & Held
03/13/24	(H)	MINUTE (W&M)
04/17/24	(H)	W&M AT 6:00 PM DAVIS 106
04/17/24	(H)	-- MEETING CANCELED --
04/22/24	(H)	W&M AT 6:00 PM DAVIS 106
04/22/24	(H)	-- MEETING CANCELED --
04/24/24	(H)	W&M AT 6:00 PM DAVIS 106

WITNESS REGISTER

KENDRA BROUSSARD, Staff
 Representative Ben Carpenter
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Gave the sectional analysis for a proposed committee substitute to SSHB 194 on behalf of Representative Carpenter, prime sponsor.

DONNA ARDUIN, Staff
 Representative Ben Carpenter
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Provided information during discussion of the proposed committee substitute to SSHB 194 on behalf of Representative Carpenter, prime sponsor.

ACTION NARRATIVE

[6:22:44 PM](#)

CHAIR BEN CARPENTER called the House Special Committee on Ways and Means meeting to order at 6:22 p.m. Representatives Tilton, McKay, Groh, Gray, and Carpenter were present at the call to order. Representatives McCabe and Allard arrived as the meeting was in progress.

HB 194-CONSENSUS ESTIMATING CONFERENCES; BUDGET

[6:23:19 PM](#)

CHAIR CARPENTER announced that the only order of business would be SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 194, "An Act relating to the duties of the Legislative Budget and Audit Committee; relating to the Executive Budget Act; establishing consensus

estimating conferences; relating to the development of official information for use in preparing the state budget; and providing for an effective date."

CHAIR CARPENTER noted that before the other body is SB 21, which is not a companion bill to SSHB 194, and which would amend the Executive Budget Act to require the Executive Branch to provide information that is far more detailed and useful in the budgeting process. He said a committee substitute [will be proposed] that would take sections of SB 21 and combine them with SSHB 194.

[6:24:12 PM](#)

REPRESENTATIVE MCCABE moved to adopt the proposed committee substitute (CS) for SSHB 194, Version 33-LS0648\R, Klein, 4/18/24, as a working document.

CHAIR CARPENTER objected for the purpose of discussion.

[6:24:40 PM](#)

KENDRA BROUSSARD, Staff, Representative Ben Carpenter, Alaska State Legislature, on behalf of Representative Carpenter, prime sponsor, gave the sectional analysis [included in the committee packet], which read as follows [original punctuation provided]:

Section 1

Amends the fish and game fund (AS 16.05.110 (b)) to conform to changing the section in the executive budget act regarding budget preparation in this bill.

Section 2

Amends fiscal note requirements (AS 24.08.035) to allow the sponsor for a bill or a committee to request a special impact estimating conference to evaluate a fiscal note.

Section 3

Adds a new section to (AS 24.08.035) that allows a special impact estimating conference to evaluate fiscal notes and prepare a new fiscal note to replace any existing fiscal note for a bill.

Section 4

Adds to the duties to the Legislative Budget and Audit Committee (AS 24.20.206) to adopt a method of

measuring results for state agencies and to provide the measures to the Governor's Office of Management and Budget (OMB).

Section 5

Amends the Statement of Policy for the Executive Budget Act (AS 37.07.010) to include strategic and performance plans and setting and measuring program and financial goals.

Section 6

Adds to requirements for the Legislature under the Executive Budget Act (AS 37.07.014 (a)) to review the performance and financial plans approved by the governor and to organize the budget by service and program area and to include the service or program cost and the desired measurements for each.

Section 7

Requires the Legislative Budget and Audit Committee (AS 37.07.014 (b)) to adopt a method of measuring results for each agency and to provide the measures it has set for each agency to the OMB by August 1st each year.

Section 8

Amends requirements of the Legislature to foster results-based government (AS 37.07.014 (d)), to clearly identify service, program, and financial goals and desired results and to assign service or program measurements for agencies and to assess progress toward those goals. LB&A will assign methods for measuring, reporting, and evaluating results.

Section 9

Amends the requirements of the Governor under Article III Sections 1 (Executive Power) and 16 (Executive Authority: responsibility for faithful execution of the laws) of the Constitution to approve strategic and performance plans for each state agency and use the financial goals and desired results to implement and execute the law. The Governor shall review the agency's strategic and performance plans and approve or require the Office of Management and Budget to revise them. The Governor shall ensure that each agency complies with the service and program

measurements and achieves the desired results identified by the legislature.

Section 10

Amends the requirements of the Governor in preparing the Governor's budget. Requires the budget be organized by program or service of each agency and include service and program cost and desired results for each. Each service and program expenditure request must include detailed unit cost and performance of the service or program expenditure. Changes the Governor's budget submission deadline for a newly elected governor from December 15 to January 15.

Section 11

Requires the Governor's budget to include projections for three succeeding fiscal years rather than ten succeeding years.

Section 12

Requires the proposed expenditures in the budget not to exceed estimated revenues for the succeeding fiscal year. Operating expenditure may not exceed official estimates of recurring revenue. This provision will allow non-recurring revenue to only be used for capital projects or for savings.

Section 13

Adds a new section of the Executive Budget Act to require the Governor to submit an alternative budget plan for the next fiscal year, and projections for the next three succeeding fiscal years, based on the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast over the preceding ten years. Requires the Governor to submit an alternate budget plan based on \$70 per barrel for Alaska North Slope crude oil.

Section 14

Adds a new section of law that creates a consensus estimating process. Consensus estimating conferences are created in the legislature for economic and demographic forecasts, revenue estimates, and expenditure estimates for education, criminal justice, social services, and retirement costs. The membership of each conference consists of principals and participants. Principals of the conference are the

director of the legislative finance division or the director's designee. Participants include staff of the house and senate designated by the Speaker and President, and participants appointed by the governor. Each conference shall develop "official information" within its area of responsibility that the conference determines, by consensus, is needed for the purpose of preparing the state budget. Provides for the procedures of the estimating conferences, including public meetings. Conferences develop "official information" based on current law. Following the regular session of the legislature, each conference shall convene in a final session to revise the official information of the conference to reflect changes made in law. Adds special impact estimating conferences that can be requested by the Speaker of the House or the President of the Senate to evaluate a legislative proposal. The official information from a special impact conference will serve as a fiscal note.

Section 15

Adds to the duties of the Office of Management and Budget in AS 38.07.040 shall assist the Governor in meeting the requirements of this Act in the development of performance and financial plans and coordination and analysis of state agency goals issued by the legislature. OMB is required to submit a five-year capital improvements plan to the legislature by December 15 each year that must include estimated cost of construction and maintenance, the estimated project timeline, potential funding sources, and justification for each project. OMB is required to provide electronic data used in building its budget to the legislature at least seven days before the legislative session. OMB is required to submit to the legislature by December 15 each year an annually updated five-year capital improvements program, which must include the estimated cost of construction and maintenance, the estimated project timeline, potential funding sources, and justification for each project.

Section 16

Adds to requirements of state agencies in AS 37.07.050 for each state agency to include in its strategic, financial, and performance plans progress made toward achievement of service, program, financial goals and desired results issued by the legislature, and to

submit these plans to the legislature by December 15 each year. [T]he results of the measures set by the legislature and achievement of program, service, and financial goals.

Section 17

Adds a new section of law (AS 37.07.055) [.] Boards and commissions shall submit a financial plan by December 15th to OMB, Legislative Finance, and the legislature. Each plan must include the requested budget for next fiscal year, expenditures made during previous fiscal year, expenditures authorized for current fiscal year, explanation of services, need for services, and cost of services, number of total positions employed or under contract, including those for capital improvements. Each board and commission must include a report of receipts and expenditures for the previous fiscal year, an estimate of receipts for the current fiscal year, and an estimate of receipts and expenditures for the succeeding fiscal year. Each board and commission must identify any legislation required to implement financial plans. Boards and commissions shall submit an annual operations plan by a date prescribed by OMB. OMB shall review each operations plan for alignment with statewide priorities, appropriations, planning methods, and legislative authority, approve or require revision of the operations plan. OMB shall assist in preparation of financial plan and OMB may prepare financial, or operations plans if a board or commission fails to transmit either plan by an OMB specified date. OMB shall compile and submit a summary of boards and commissions financial plans by December 15th to a governor elect. Budget requests from boards and commissions shall include identification of objectives intended for the program and problem or need that the program is intended to address, an assessment of achievement of original objectives of the program, a statement of costs, performance, and accomplishments in each of last four fiscal years, a statement of number and types of persons affected by the program, a summary statement of the number and cost of personnel employed or under contract over the last three completed fiscal years, an assessment of the effect of the program on the economy of the state, an assessment of the how the policies meet the objective of the legislature, an analysis of services and performance

estimated to be achieved over the life of the agency, a prioritized list of the activities the board or commission would expect to perform if the life of the agency were to be continued. Boards and commissions shall develop methods for measuring agency results. OMB shall report quarterly to the governor and legislature on operations of the boards and commissions.

Section 18

Adds to requirements for the governor's budget recommendation (AS 37.07.060) for the governor to identify three to five statewide priorities, include agency performance plans that implement the service, program, and financial goals, recommended measures for determining whether (sic) those goals have been met, and an assessment of whether (sic) prior year goals have been met.

Sections 19, 20

Adds to program execution (AS 37.07.080) conforming language to include strategic plans and service, program, and financial goals to agency programs execution requirements.

Section 21 Adds to programs execution to require OMB to review strategic plans to determine that the plan is consistent with the goals issued by the legislature and approve or revise those plans.

Section 22, 23

Conforming language to change agency operating plans to strategic plans.

Section 24

Adds a new section to this Act (AS 37.07.085) to create agency Performance Plans and Financial Plans. Each agency shall develop annual performance and financial [plans] consistent with the strategic plan. Plans must be submitted to Legislative Finance, the Senate, and the House by December 15th of each year. The Performance plan must include a description of the agency's program structure and any proposed changes, identification of each program, constitutional and/or statutory authority, a program purpose statement which describes the services provided, the customers served by the program, the benefit or intended outcome of the

program. Each plan must identify performance measures which contribute to progress towards the agency's strategic plan, identify goals and objectives that each performance measure corresponds, identify results for each performance measure over the past four fiscal years, and identify performance targets for each performance measure for the succeeding fiscal year. Each plan must include revenue and expenditures for each program for the prior four fiscal years, breakdowns of revenue and expenditures for each program, estimates of revenue and expenditures for current and next fiscal year, budget requested to carry out proposed plans of the agency in succeeding fiscal year, expenditures authorized for current fiscal year, expenditures proposed for the succeeding fiscal year, number or positions employed or under contract, cost of services provided by each program, a report of receipts of agency for expenditures made during prior year, estimate for current year, and estimate for next year, [i]dentification of legislation required to implement the proposed financial plan. OMB shall assist in preparation of financial plan and OMB may prepare financial, or operations plans if a board or commission fails to transmit either plan by an OMB specified date. OMB shall compile and submit a summary of boards and commissions financial plans by December 15th to a governor elect.

Section 25

Amends Section AS 44.66.050(a): Legislative Oversight to include reference to the new requirements of boards and commissions.

Section 26 Repeals AS 37.07.014 (f).

Section 27

Effective date for Section 7 (LB&A to set program measures) is July 1, 2025.

Section 28

Provides an effective date of July 1, 2024, for the remainder of this Act.

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CHAIR CARPENTER stated he calls this an Executive Budget Act rewrite even though that isn't the title nor completely accurate. He said he thinks of the Executive Budget Act as a standard operating procedure that defines how the state's government is supposed to communicate and operate when there are disagreements between the two branches on data or assumptions used in financial or budgeting matters and fiscal notes. That is crafted in the Executive Budget Act currently but it's not working well currently, he opined. This bill, he continued, is to help get to a better management framework.

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REPRESENTATIVE GROH said he appreciates the sponsor's efforts as the bill is management oriented, likely to generate more useful data, will help the state run better, and will help fix the state's structural deficit. However, he argued, Section 12 is a statutory spending limit, a limit on what the governor's budget can propose, not what is appropriated. He argued further that it is discriminatory - it's a limit only on the operating budget when all the evidence has shown that the things that spurt the most in high revenue years are the capital budget and permanent fund dividends.

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DONNA ARDUIN, Staff, Representative Ben Carpenter, Alaska State Legislature, clarified Section 12. Current law, she explained, says proposed expenditures may not exceed estimated revenues for the succeeding fiscal year. She said Version R would add to the balanced budget requirement that the operating budget - expenditures for agency and statewide operations - must balance with recurring revenue sources. The reason that is tied to operations and not capital, she advised, is that nonrecurring revenue can be used for capital projects, which is something that other states do. Version R, she pointed out, would require that in the case of one-time funds, savings would be used for capital projects. Revenue estimating conferences in other states, she related, consider unusually high oil prices as nonrecurring revenue that cannot be spent on agency operations.

CHAIR CARPENTER stated that rather than a spending limit, he describes it as a better way to communicate the budget between the two branches.

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REPRESENTATIVE GRAY said he is philosophically concerned that establishing performance plans, operation plans, financial plans, and strategic plans for boards and commissions sounds like death by bureaucracy because somebody would have to be working on all these plans all the time yet not actually be doing anything. He submitted that a board or commission might execute plans but not achieve its goal or a board or commission might struggle with executing plans but achieve its goal.

CHAIR CARPENTER responded that as a former operations officer and person who generated the plans within the military, he understands where Representative Gray is coming from. He agreed it's possible that organizations can wing it and do well. But, he maintained, in "our" bureaucracy that is few and far between and not having a strategy or plan will result in waste and inefficiency. He said performance measures are done once and then reviewed periodically to ensure an organization is headed on the right path. This is already supposed to be done to a certain extent, he pointed out, but it is hit or miss as to whether it is being done. Nobody enjoys the budget subcommittee process, he continued, but if performance measures were being done and communicated to the subcommittee, it would make that process much more effective than what it is now. He said he thinks the [proposed CS] narrows down and focuses the Executive Budget Act so that it is useable and effective rather than broad and unclear.

REPRESENTATIVE GRAY inquired about the number of boards and commissions that this would apply to.

CHAIR CARPENTER answered that he doesn't know the overall number of boards and commissions, but that the Executive Budget Act applies to all of Alaska's boards and commissions.

MS. ARDUIN related that when presenting the [Alaska] Sunset Commission, Ms. Broussard showed 180 entities of the state, which includes boards, commissions, and divisions of the departments.

REPRESENTATIVE GRAY drew attention to [Version R], page 24, Section 25, [lines 6-8], which state, "(a) Before the termination, dissolution, continuation, or reestablishment of a board or commission under AS 08.03.010 or AS 44.66.010, a committee of reference of each house, which shall be the standing committee of legislative jurisdiction". He expressed his fear that a couple of standing committees might be the jurisdiction for a lot of boards and commissions, which at the

beginning of session could mean that those committees are required to hold many hearings that include testimony by the public and department commissioners. He inquired whether there is a mechanism to ensure that one committee isn't going to have to do 25 boards and commissions.

CHAIR CARPENTER replied that the Division of Legislative Audit currently does sunset commissions on boards and provides reports to the committees of jurisdiction. He said two other pieces of legislation could help improve state government wholistically: [one bill would establish] a sunset commission that has a responsibility to periodically review all the departments of the government, and [the other bill would direct] the "regulatory review division" within the Legislative Budget and Audit Committee's purview to help committees of jurisdiction review changes in regulations over time so that the committees of jurisdiction would not have to do all the heavy lifting. So, he continued, getting the standard operating procedures set correctly so that they're useable and mean something, along with these other pieces that help with the process, would help with not being overwhelmed at the committee level.

MS. ARDUIN specified that Section 25 is language that is in current law. She said the only change in this section is the reference to the new section of the Executive Budget Act.

[6:52:50 PM](#)

REPRESENTATIVE GRAY submitted that since this is required already, it probably means it isn't being done. He said he appreciates what the bill is designed to do, but thinks it is asking members of committees to care and he isn't sure that it can be legislated to care.

MS. ARDUIN advised that the sections requiring the strategic plans, performance plans, and financial plans are not the type of strategic plans seen in other venues. Requirements are in the bill for what the agencies need to do with these plans, she said, and [these sections] are designed to provide the legislature with information for both policy and budget planning that the legislature doesn't have now.

CHAIR CARPENTER added that an entity that should be influential in whether [legislators] care is the electorate, and the electorate must step in and help with this problem.

[6:54:00 PM](#)

REPRESENTATIVE MCCABE said he likes Section 2 because it has long been needed. He said he will have an amendment for that section because he is tired of having fiscal notes being weaponized against bills by the departments.

CHAIR CARPENTER asked whether Representative McCabe would object to the bill being amended in the next committee because the committee is going to take public testimony and move out the bill today.

REPRESENTATIVE MCCABE [did not object].

REPRESENTATIVE MCKAY inquired about the next committee of referral.

MS. ARDUIN answered that it is the House Finance Committee.

[6:56:00 PM](#)

CHAIR CARPENTER opened public testimony, then closed it after ascertaining that no one wished to testify.

[6:56:37 PM](#)

CHAIR CARPENTER removed his objection to the motion to adopt the proposed CS for SSHB 194, Version 33-LS0648\R, Klein, 4/18/24, as a working document. There being no further objection, Version R was before the committee.

[6:56:56 PM](#)

REPRESENTATIVE MCCABE moved to report the proposed CS for SSHB 194, Version 33-LS0648\R, Klein, 4/18/24 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSSSHB 194(W&M) was reported out of the House Special Committee on Ways and Means.

[6:57:42 PM](#)

CHAIR CARPENTER noted that without objection, the committee gives permission to Legislative Legal Services to make any necessary technical and conforming changes to CSSSHB 194(W&M).

[6:58:45 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 6:58 p.m.