

COMMITTEE REPORT

2/24/76

SENATE

Mr. President:

Date 3/3/76

The Committee on FINANCE has had HB 760 amended relating to the Executive Budget Act under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR _____ AND THAT CS FOR _____ DO PASS
- "and" recommends it BE REFERRED TO THE _____ COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

[Signature] _____

[Signature] _____

[Signature] _____

[Signature] _____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

[Signature] Chairman

March 2, 1976

Honorable Bill Ray
Chairman, Senate Finance Committee
Alaska State Legislature
State Capitol - Pouch V
Juneau, Alaska 99811

Dear Senator Ray:

A further review of HB 760 leads us to request that it be amended to include a section excluding Chapter 209, SLA 1975 from the new provisions of AS 37.07.030(e). State agencies have been operating during the current year under the assumption that they would be allowed to make transfers between appropriations. If this authority were removed prior to completion of activities related to Chapter 209, it would probably lead to considerable confusion and the processing of a number of transfers in anticipation of problems or conditions which might never actually occur. I feel it would be much more orderly to finish operations under Chapter 209 using the current rules and then operate under the new rules for future operating appropriations and capital projects which exist.

In addition to the above I would like you to consider changing Section 2 of House Bill 760am to only preclude transfers between capital projects and between capital and operating appropriations. I feel that there have been very few cases where transfers between operating appropriations have been opposed by members of the legislature. In fact a number of the transfers between appropriations which occurred this fiscal year have been for the benefit of if not at the request of members of the legislature. We ask that our input be considered as we have researched the situation considerably since the bill was introduced in the House.

Sincerely,

V. Kent Dawson
Director

VKD/RL/lw

Bcc: Commissioner Warwick

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER POUCH C - JUNEAU 99811

February 18, 1976

Honorable Hugh Malone
Chairman
House Finance Committee
Alaska State Legislature
Pouch V - State Capitol
Juneau, Alaska 99811


Dear Representative Malone:

In response to your request for our written comments on HB 760 as discussed at both Finance Committee hearings on February 17, we submit the following.

Although virtually impossible to accurately estimate it is our opinion that the passage of HB 760 would greatly increase the likelihood that a lesser percentage of funds would lapse at the end of each fiscal year.

This, we feel, would happen since one more check in the path of agency spending momentum would be removed; the overall spending pattern of the State would be under less control as agencies progress through a fiscal year. The Governor, who is duly elected to manage the Executive Branch, would be considerably hampered in doing so. Such a situation could only cost more money.

Very truly yours,


Andrew S. Warwick
Commissioner

ASW/mjc

File No. 11
p. 269

HOUSE JOURNAL

HB 760

Section 1 repeals the Division of Budget and Management's existing authority to "modify or withhold the planned expenditures" of any state agency if the division finds "the expenditures are greater than those necessary to execute the program". The argument has been raised that in repealing this authority the legislature is removing the executive's power to induce efficiency and economy in the operation of state government. Section 3 of this bill gives the Governor certain authority to withhold or reduce expenditures as opposed to the existing general delegation of this authority to a staff agency, Budget and Management.

Section 2 limits the authority to transfer funds to transfers between (1) objects of expenditure (for example, between commodities and contractual services) or (2) allocations for central district highway maintenance and the interior district highway maintenance). These transfers may be made by the head of the agency with the approval of Budget and Management. Transfers between appropriations are prohibited. Again, using an example from the current budget, no funds could be transferred from the operation of the marine highway system to the operation of trunk and secondary airports or vice versa.

The proposed language is substantially more liberal in allowing for transfers than the existing language of the Executive Budget Act. The existing language limits transfers to those that can be accomplished within an "agency", and "agency" is defined as ". . . a department, officer, institution, board, forming the state government. . .". The existing law has been made workable by an as yet unchallenged ruling of the Department of Administration that the word "agency", in spite of its definition, means "department". A strict interpretation of the "agency" definition as written would prohibit virtually all transfers that currently occur in state government.

Also, of course, a new legislative session begins six months after the beginning of a fiscal year. Necessary revisions including transfers may be made at that time by the legislature. This has been done in prior years.

Assuming the legislature would continue to follow the format used in recent General Appropriation Acts, the changes proposed in section (e) would simply formalize existing procedures. Funds are not usually transferred between major program uses, and since appropriations would in all probability continue to be set at current levels, no infringement on managerial operating flexibility should be anticipated.


Section 3 adds a new subsection granting the Governor the authority to withhold or reduce appropriations for two specific reasons: 1) The planned expenditure for some reason has become "factually impossible", e.g. the appropriation is for the operation of a state facility that has been destroyed by fire and thus a reduced expenditure is in order, or 2) estimated receipts and surpluses are insufficient to fund the budget, e.g. a natural disaster damages some of the oil producing equipment located within the

state, sharply reducing estimated property and severance tax receipts. This would cause the Governor to make reductions in his revenue estimates and subsequently the budget.

The argument has been raised that this provision perhaps unnecessarily restricts the flexibility of the Governor to effect economics and efficiencies in government operations. It was pointed out that the Governor has only 25-30 days to study the general appropriations bill before he must allow it to become law or sign it into law. Thus, he should have additional time during the early part of the fiscal year to consider possible reductions in appropriations, as was the case this year.

This argument does not appear persuasive for the following reasons: 1) The Governor and his executive agencies prepare all of the extensive documentation that goes into the budget and thus are at least as informed as to detail and aware of ramifications of the budget as anyone in the legislative branch. 2) All meetings of the legislative committees including the Free Conference on the Budget, are open to the administration and members of the general public, thus there is no decision during the three or four months of the legislation session that is not open to question and inquiry by members of the executive budget staff. 3) The Governor has 25-30 days following the close of the legislative session to examine at his leisure all aspects of the proposed budget, including any recommendations Budget and Management may have for reductions. Under the authorities granted to him by the constitution, he may strike any item of the general appropriations bill that he feels improper or for the same reasons reduce any appropriation contained in the bill. This would provide sufficient time for executive reflection on the budget.

Section 4 adds definitions of the words "appropriations", "allocation", and "object of expenditure" to the definitions section of the Executive Budget Act. There are no new concepts contained in any of these definitions. The words have simply been defined in terms of their currently understood and generally accepted meaning for placement in the statutes.


Ruth Malone, Chairman
House Finance Committee

BY NAUGHTON, ANDERSON, BRADLEY, BRADNER,
BROWN, BUCHHOLDT, COTTEN, COWPER, DAVIS,
DUNCAN, FREEMAN, GARDINER, GRUENING, GUY,
HACKNEY, HAUGEN, HUNTINGTON, ITTA, KELLEY,
MCKINNON, MALONE, MILLER, OSE, OSTERBACK,
OSTROSKY, PARKER, PARR, RUDD, SMITH,
SULLIVAN, SWANSON AND WALLIS

1 IN THE HOUSE

2 HOUSE BILL NO. 760 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Executive Budget Act."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 37.07.080(c)(3) is repealed.

9 * Sec. 2. AS 37.07.080(e) is amended to read:

10 (e) Transfers [APPROPRIATION TRANSFERS] or changes [AS] between
11 objects of expenditures or between allocations [ACTIVITY AREAS WITHIN A
12 PROGRAM] may be made by the head of a state agency upon approval of the
13 division. [APPROPRIATION TRANSFERS OR CHANGES BETWEEN PROGRAMS WITHIN
14 AN AGENCY MAY BE MADE UPON REVIEW BY THE DIVISION AND APPROVAL OF THE
15 GOVERNOR, AND SHALL BE REPORTED TO THE LEGISLATURE QUARTERLY.] No
16 transfers may be made between appropriations [AGENCIES].

17 * Sec. 3. AS 37.07.080 is amended by adding a new subsection to read:

18 (g) The governor may direct the withholding or reduction of
19 appropriations to a state agency at any time during the fiscal year only
20 if he determines that

21 (1) the planned expenditures can no longer be made due to
22 factors outside the control of the state which make the expenditure
23 factually impossible; or

24 (2) estimated receipts and surpluses will be insufficient to
25 provide for appropriations.

26 * Sec. 4. AS 37.07.120 is amended by adding new paragraphs to read:

27 (4) "appropriation" means a maximum amount available for
28 expenditure by a state agency for a stated purpose set out in an appro-
29 priation Act;

1 (5) "allocation" means an amount set out as a legisla-
2 tive guideline for expenditure by a state agency for a stated purpose
3 within the total amount of an appropriation;

4 (6) "object of expenditure" means a line item of expenditure
5 within an allocation or an appropriation.
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