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HOUSE COMMITTEE REPORT

(11)

Date Referred: February 27, 1989

FURTHER REFERRALS:

Date of Committee Action: 3/20/89

The FINANCE Committee considered:

HB 87

HOUSE BILL NO. 87 [LONG-TERM FINANCIAL PLANNING]

"An Act requiring the governor to formulate and submit a long-term financial plan for the state; and providing for an effective date."

RECOMMENDS:

- replacing with CS HB 87 (Fin) the same title
 the attached amendment(s) a new title
 do pass
 do not pass
 no recommendation
 individual recommendations
 additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact
 zero fiscal note
 zero with analysis

APPROVES PREVIOUS:

- fiscal note(s) published:
 zero fiscal notes(s) published:
1/17/89-OMB

SIGNING DO PASS:

[Signature] HOFFMAN
[Signature] LARSON
[Signature] BROWN
[Signature] KOPONEN
[Signature] ULMER
[Signature] SHULTZ

SIGNING OTHER THAN DO PASS:

(Do Not Pass, No Recommendation, Amend)
[Signature] PHILLIPS
[Signature] RIEGER
[Signature] No Recommendation

[Signature]
Chairman's signature
Ronald J. Larson

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Office of Governor
 Title: Gov. formulate/submit long-term BRU: _____
financial plan for state
 Sponsor: Rules Components: _____
 Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Alison M. [Signature] Phone: 465-3568
 Division: Budget Review Date: 1/13/89
 Approved by Commissioner: [Signature] Date: 1/14/89
 Agency: _____

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Adopted

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 87 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the state budget and to long-term
7 financial plans for the state; and providing for an
8 effective date."

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

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

11 (b) In addition to the budget and general appropriation bill,
12 the governor shall submit a long-term [CAPITAL IMPROVEMENTS PROGRAM
13 AND] financial plan. The long-term financial plan must include esti-
14 mates of expenditures, estimates of annual revenue from all sources,
15 and recommendations for additional sources of revenue. The long-term
16 financial plan must include projections of estimated expenditures
17 covering the six succeeding [SIX] fiscal years and projections of
18 revenue for the 10 succeeding fiscal years.

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

20 (c) Proposed expenditures may not exceed estimated revenue for
21 the succeeding fiscal year. The expenditures proposed in the long-
22 term [SIX-YEAR CAPITAL IMPROVEMENTS PROGRAM AND] financial plan may
23 not exceed the estimated revenue and bond authorizations passed and
24 proposed.

25 * Sec. 3. AS 37.07.030 is amended to read:

26 Sec. 37.07.030. RESPONSIBILITIES OF THE LEGISLATURE. The legis-
27 lature shall

28 (1) provide for a budget review function;

29 (2) analyze the comprehensive operating and capital im-

1 improvements programs and long-term financial plan [PLANS] recommended
2 by the governor;

3 (3) adopt legislation to authorize implementation of the
4 governor's comprehensive operating and capital improvements budget
5 [PROGRAMS AND FINANCIAL PLANS] or appropriate alternatives to that
6 budget [THOSE PLANS];

7 (4) provide for a post-audit function to cover financial
8 transactions, program accomplishment, and compliance with legislative
9 intent;

10 (5) adopt or revise the estimate of receipts required to
11 balance the succeeding fiscal year's budget in order that proposed
12 expenditures do not exceed estimated receipts for that fiscal year;

13 (6) adopt, revise, or initiate revenue measures in order to
14 balance the succeeding fiscal year's budget and the capital improve-
15 ments section of the budget for the succeeding six years;

16 (7) adopt or revise the long-term financial plan annually
17 submitted by the governor.

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

19 Sec. 37.07.060. GOVERNOR'S RECOMMENDATION. (a) The governor
20 shall formulate the long-term [OPERATING AND CAPITAL IMPROVEMENTS
21 PROGRAMS AND] financial plan [PLANS] required to be recommended to the
22 legislature by AS 37.07.020 after considering the state agency pro-
23 posed program and financial plan [PLANS], and other programs and
24 alternatives that the governor considers appropriate. The plan
25 [PLANS] must include the governor's recommended goals and policies,
26 recommended plans to implement the goals and policies, recommended
27 operating and capital improvement program for the succeeding six
28 fiscal [YEAR, RECOMMENDED CAPITAL IMPROVEMENTS PROGRAM FOR THE SUC-
29 CEEDING SIX FISCAL] years, recommended programs for the upgrading of

1 public buildings and facilities prepared in accordance with AS 35.10.-
2 015, and recommended revenue measures to support the programs.

3 (b) The governor shall present the proposed budget [COMPRE-
4 HENSIVE OPERATING AND CAPITAL IMPROVEMENTS PROGRAMS] and long-term
5 financial plan [PLANS] in a message to a joint session of the legisla-
6 ture before the fourth legislative day following the convening of the
7 legislature in regular session. The message must be accompanied by an
8 explanatory report that summarizes recommended goals, plans, and
9 appropriations. The report must contain

10 (1) the coordinated program goals and objectives that the
11 governor recommends to guide the decisions on the proposed program
12 plans and budget appropriations;

13 (2) the governor's operating program and budget recommenda-
14 tions for the succeeding fiscal year organized by agency as required
15 by AS 37.07.020(a);

16 (3) the governor's capital improvements program and budget
17 recommendations for the six succeeding fiscal [YEAR AND CAPITAL IM-
18 PROVEMENTS PROGRAM FOR THE SUCCEEDING SIX FISCAL] years, that [WHICH]
19 must include

20 (A) a description of each project, the estimated
21 annual maintenance and operation costs for the useful life of the
22 project, its estimated cost for the year construction is to start
23 and the estimated cost of the project adjusted for inflation over
24 the estimated period of construction, and the source of financing
25 for the project; the project description for a new building or a
26 new facility or for a major addition to a building or facility
27 should include a site plan, preliminary drawings, and architect's
28 or engineer's total cost estimate for the project;

29 (B) a summary of projects previously authorized and

1 not yet completed;

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

6 (D) a forecast of the debt structure of the state and
7 the various debt ratios over the life of the state's bonds out-
8 standing, bonds authorized and to be issued, and bond authoriza-
9 tions recommended in the plan;

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

12 (F) bond election bills to authorize the bonds re-
13 quired to fund the projects scheduled for the first three years
14 of the plan;

15 (G) projections of population of the state and its
16 regions and communities;

17 (H) economic data and projections necessary for the
18 evaluation of the plan;

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

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

25 (6) any additional information that will facilitate under-
26 standing of the governor's proposed programs and long-term financial
27 plan [PLANS] by the legislature and the public.

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

29 Sec. 37.07.070. LEGISLATIVE REVIEW. The legislature shall

1 consider the governor's proposed long-term [COMPREHENSIVE OPERATING
2 AND CAPITAL IMPROVEMENTS PROGRAMS AND] financial plan [PLANS], evalu-
3 ate alternatives to the plan [PLANS], make program selections among
4 the various alternatives and determine, subject to available revenues
5 the level of funding required to support authorized state services.
6 The operating and capital budgets of each agency shall be separately
7 reviewed. During each regular session of the legislature, legislative
8 review of the governor's supplemental appropriation bills and the
9 governor's budget amendments shall be governed by the following time
10 limits:

11 (1) requests [REQUESTS] by the governor for supplemental
12 appropriations for state agency operating and capital budgets for the
13 current fiscal year may be introduced by the rules committee only
14 through the 30th legislative day; [.]

15 (2) requests [REQUESTS] by the governor for budget amend-
16 ments to state agency budgets for the budget fiscal year may be re-
17 ceived and reviewed by the finance committees only through the 60th
18 legislative day.

19 * Sec. 6. This Act takes effect July 1, 1989.
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OFFICE OF THE GOVERNOR

PROPOSED AMENDMENT TO DRAFT CS HB 87 (FINANCE)

AMEND PAGE ²3, SECTION 3, TO ADD NEW SUBSECTION (7) TO READ:

(7) ADOPT OR REVISE THE LONG-TERM FINANCIAL PLAN ANNUALLY
SUBMITTED BY THE GOVERNOR.



Alaska State Legislature

House of Representatives
COMMITTEE ON STATE AFFAIRS

TO: Representative Lyman Hoffman
Representative Ron Larson
House Finance Committee

FROM: Representative H.A. "Red" Boucher, Chair
House State Affairs Committee

DATE: February 23, 1989

RE: CSHB 87(SA): Long-Term Financial Planning

I would like to refer your attention to the memorandum dated 2/23/89 from Tamara Cook regarding suggested changes to CSHB 87(SA). I support these changes and request that you give them favorable consideration.

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

Item 5
POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

MEMORANDUM

February 23, 1989

SUBJECT: Long-term financial plan for the state
(CSHB 87(SA))

TO: Representative H. A. "Red" Boucher, Chair
House State Affairs Committee

FROM: Tamara Brandt Cook *TBC*
Director
Division of Legal Services

Here is the committee substitute you requested for HB 87, originally introduced by the Governor. Since the bill has been passed from committee, Dennis Burns requested no changes other than those acted upon by the committee and identified to me. We did make form and style changes in accordance with the drafting manual.

It seems to me, however, that the provision contained in existing law (AS 37.07.030(6)) appearing in section 2 of the bill may need to be changed from six to four years to conform to the change made in section 1 of the bill. The changes made in sec. 1 need to be reflected in AS 37.07.-020(c) and 37.07.040(2), which are not now dealt with in the bill.

In addition, I am concerned that the title may not adequately reflect the contents of the bill. The title is very narrow and addresses only the Governor's responsibilities with respect to the long-term financial plan. Sections 2 and 4 of the bill, though, deal with the legislature's responsibilities. To the extent that those sections are determined not to contain substantive changes, the existing title may be sufficient. But I fear that the changes to those sections may be substantive. If the additional change is made to section 2, altering the six to four years, and to the other nonconforming sections a title change will clearly be required.

Representative H.A. "Red" Boucher
Page 2
February 23, 1989

I suggest that you make this memorandum available to the next committee of reference, so they can look into these matters.

TBC:kb:gc
wkk2/042

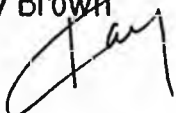
Enclosure

Kay Brown

Alaska State Legislature House of Representatives

TO: Representative Lyman Hoffman, Co-Chair
Representative Ron Larson, Co-Chair
House Finance Committee

FROM: Representative Kay Brown

DATE: March 20, 1989 

SUBJ: HB 87/Long-Term Financial Plans

The Fiscal Policy Subcommittee has reviewed HB 87 concerning the state budget and long-term financial plans. Please find attached a proposed Finance Committee substitute (work draft dated 03/09/89).

The subcommittee suggestions incorporated into this work draft include the following changes from the State Affairs CS:

- In order to be consistent with capital budget planning process, the time frame for projection of estimated expenditures is changed to six years rather than four. (Note: This change occurs in several places throughout the bill.)
- In order to make clear that the legislature may modify the Governor's proposed budget, the phrase "or appropriate alternatives to that budget" (page 2, lines 3 - 6) is added.
- A requirement that the legislature "adopt or revise" the long-term financial plan annually (page 2, lines 16 -17) is added.
- A requirement that "the estimated annual maintenance and operation costs for the useful life" of capital projects be included in the

Governor's six-year capital improvements budget (page 3, lines 20 - 22) is added.

- The title of the bill has been modified and other minor changes incorporated as suggested by Tamara Cook in her memo of February 23, 1989.

If you have any questions regarding these proposed changes, please let me know.

cc: Representative C. E. Swackhammer
Representative Steve Rieger

STEVE COWPER
GOVERNOR



cc
JAB 87

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 17, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Cotten:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill requiring the governor to formulate a long-term financial plan for the state. In my State of the State address I said that I would be introducing a bill to formally establish a long-term financial planning process for the state. This process would require us to look forward five fiscal years in formulating the state budget. It would also require the governor to develop and present annual revenue projections for the succeeding 20 fiscal years. Through this process, I hope that we will be able to divert our attention from short-term solutions and develop a stable long-term plan for financing the public services provided by the state.

I urge your favorable action on this bill.

Sincerely,

A handwritten signature in cursive script, appearing to read "Steve Cowper".

Steve Cowper
Governor