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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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March 22, 1991

Members of the Legislative Budget
and Audit Committee:

In accordance with a Legislative Budget and Audit Committee request and the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

COST OF PREPARING ALASKA'S ANNUAL BUDGET AND THE ADVANTAGES AND DISADVANTAGES OF BIENNIAL BUDGETING

March 22, 1991

Audit Control Number

01-4375-91

The objective of this audit was to evaluate the amount of agency staff time, by department, consumed during the annual budget development, documentation, and presentation process. Also, we attempted an assessment of the potential savings that could result from establishing a biennial budget process and identified both positive and negative aspects of biennial budgeting.

The audit was conducted in accordance with generally accepted governmental performance auditing standards. Audit scope and methodology are discussed in the Report Objectives, Scope, Methodology, and Assumptions section of this report. Audit results can be found in the Issues Analysis and Conclusion.

A handwritten signature in cursive script, reading "Randy S. Welker".

Randy S. Welker, CPA
Legislative Auditor

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REPORT OBJECTIVES, SCOPE, METHODOLOGY, AND ASSUMPTIONS

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, we evaluated budget preparation costs for the State of Alaska and considered both advantages and disadvantages of a biennial budget cycle.

Objectives

The objectives of our review were to:

1. Evaluate the amount of agency staff time, by department, consumed during the annual budget development, documentation, and presentation process and the evaluation of agency-estimated non-personal services costs.
2. Attempt an assessment of potential savings that could result from establishment of a biennial budget process.
3. Document both positive and negative aspects of a biennial budget process.

Scope and Methodology

Because of restrictions in the Alaska Constitution regarding appropriations, we have defined biennial budgeting as a "mixed budget cycle" consisting of biennial budget preparation and annual appropriation.

Our scope focuses on the cycle utilized by the executive, judicial, and legislative agencies in the annual operating and capital budget preparation process. We examined the procedures followed in the preparation of agencies budgets from development through presentation to, and approval by, the Legislature.

Pertinent sections of the Alaska Constitution and Alaska Statutes were reviewed in consideration of partial or complete implementation of a biennial budget process (see "Legal Issues" section of report).

We reviewed reports, articles, and other publications addressing budgetary issues. Information was received from the National Association of State Legislatures and the Council of State Governments. We also received reports and publications prepared by the United States General Accounting Office, other governmental research agencies, state budget personnel in other states, and by educational institutions.

We analyzed the sources of the state revenues and identified areas of forecast uncertainty. Further, we analyzed the feasibility of long-term projections considering the volatile price of oil.

We prepared and distributed a questionnaire to all other state budget offices. We asked for opinions as to potential costs savings, advantages, and disadvantages of biennial budgeting based upon their experiences. And, for biennial budget states, we inquired as to methods used to adjust budgets in the off-budget year.

We solicited from the various executive, judicial, and legislative agencies the estimated number of hours spent in the development, documentation, and presentation of their respective operating and capital budgets. We calculated the total personal services cost by multiplying the number of hours by the hourly salary, considering bargaining unit and the location. We also calculated the average benefit rate for each respective department and included that within the total personal services cost. Agencies also estimated their non-personal services costs.

Finally, we received estimates of the percentage of time legislative staff spent in review and analysis of the annual operating and capital budgets during the FY 90 legislative session. If possible, legislative staff were also asked to estimate non-personal services costs.

Assumptions

Assumptions were made to better evaluate the agencies' role in preparation of the agency budgets and to assess potential cost savings that could result from changing to a biennial budget cycle.

Our first assumption was that subsequent legislative, executive, and judicial involvement would be receptive to the priorities and level of services budgeted for under a biennial process for the current biennium.

We also assumed that actual revenues would not fall significantly below that budgeted for either year in the biennium. A material shortfall would necessitate a reevaluation of budget policy by the legislative, executive, and judicial branches, thereby reducing potential savings achieved during the preparation of the biennial budget.

A third assumption was that annual appropriation would occur as required by the Alaska Constitution (see "Legal Issues" section of this report).

Finally, our evaluation assumed that biennial budgets would have two years presented in one set of budget documents, not two complete sets of budget documents. Some information will continue to be fiscal year specific such as personal services and increment/decrement explanations.

ORGANIZATION AND FUNCTION

The FY 92 Budget Cycle is shown below. The cycle begins each July when the Division of Budget Review (DBR) in the Governor's Office of Management and Budget, develops budget instructions and guidelines. DBR is involved in training, instruction, compiling data, and working with various agencies, the Legislature, and the Governor and his staff throughout the entire budget process. The timing of the October submission requirements may vary by as much as three weeks from year to year.

FY 92 BUDGET CYCLE

CALENDAR YEAR 1990

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
July 1 OMB Develop Budget Instructions and Guidelines	Early August Budget Forms and Instructions Available Aug. 24, 25, & 26 Cabinet Meeting Agency-Adjusted Base Determination	Agency Budget Preparation Sept. 14 Completed CI Form Due to OMB	Oct. 5 Agency Operating Budget & Agency Issues Memo (A-4) Due to OMB Oct. 18 Agency Capital and Loans Budgets Due to OMB OMB Review	Nov. 1 Preliminary Supplemental Requests Due to OMB Nov. 30 Last day to submit Revised Detail Budget Pages to OMB OMB Review	Early December Governor's Budget Decisions Dec. 15 Draft Appropriation Bill to Legislature and Public
	TRAINING (AS NECESSARY)		Revenue Forecast		

CALENDAR YEAR 1991

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
Jan. 21 1991 Legislative Session Convenes Jan. 24 Governor's Budget Speech	Feb. 6 Submission of Supplemental Requests to OMB Feb. 19 Submission of Supplemental Requests to Legislature	Mar. 6 Deadline for Submission of Budget Amendment Request to OMB Mar. 21 Submission of Budget Amendment Request to the Legislature	OMB Review of Agency Supplemental Requests Based on Year-to-Date Expenditures	May 26 End of Legislative Session Appropriation Review Begins	Governor's Review, Veto and Signing of Operating, Capital and Reappropriations Legislation
		Legislature Adjustments, Governor's Review and Adjustments			
		Conference Committee Budget Preparation			

Some agencies begin development of their budget more than twelve months prior to the beginning of the budget year. The majority of the agencies wait for receipt of the budget instructions which include, but are not limited to, policy guidelines, deviations from past practices, general technical instructions, employee benefits, overhead, and other costing factors.

Agencies develop goals and objectives congruent with the Governor's goals. Budget request units within the various agencies then develop more specific goals, objectives, and performance measures (the operational plan) to carry out the agency goals. Executive agencies present their budgets in October to DBR for technical review which includes reviewing the agency requests for accuracy, clearness, and proper format. The Governor's Draft Budget Development Group holds a series of budget workshops towards finalization of the Governor's budget.

The Governor submits a draft appropriation bill to the legislature, and makes copies available to the public, by December 15th of each year. Additionally, an advance copy of the Governor's budget workbook is provided to the Division of Legislative Finance by the first Monday of January (second Monday in January following a gubernatorial election year).

Upon receipt of the Governor's budget, the Legislative Finance staff begins its review and analysis. Analysts prepare computerized worksheets (short form budgets) for the legislative committees, which include budget data from the prior year, current year, and request year. In addition to the fiscal information, each component also contains information on new positions, legislative intent, audit recommendations made by the Division of Legislative Audit, and other information helpful in understanding the request.

The House and Senate Finance Committees perform detailed review of the budget information through use of subcommittees each assigned to analyze and review specific agency budgets. Committees hold public hearings, with testimony provided by state agency officials, executive budget staff, legislators, representatives of private organizations, and the general public.

The House and Senate Finance Committees may submit "committee substitutes" for the Governor's general appropriation bill. The final version is negotiated in the Conference Committee on the budget. The Conference Committee version, after passage by the legislature and approval/veto by the Governor, becomes the general operating and capital budget for the upcoming fiscal year.

Supplemental budget requests are submitted by agencies that anticipate a shortfall in the current budget year authorization in contrast to the upcoming fiscal year annual budget cycle presented above. Alaska Statute 37.07.070 requires supplemental appropriations to be submitted for introduction by the Rules Committee up through the 30th legislative day. Normally, preliminary supplemental information is submitted to DBR during the beginning of November and is finalized, and resubmitted to DBR, during early February.

DBR reviews preliminary supplemental request information and asks that agencies identify any existing department resources which can be reallocated or reappropriated to cover all or part of the shortfall. Agencies are asked to provide both accounting and analysis information, including explanation of legal obligations or legislative intent, and a discussion of how the supplemental impacts personal services and positions.

Revised programs (RPs) constitute a revision to a program's authorized budget and positions. The agency's authorized budget and position information is given in the appropriation act and the Conference Committee report issued by the Division of Legislative Finance. Authorized positions are determined by DBR and are shown in the Position Authorization and Control System.

The executive branch has the flexibility to revise programs through several means. Transferring funds between line items and allocations is made possible through statute. Transferring funds between allocations is possible only when the appropriation bills designate lines in the bill as allocations rather than appropriations.

Agencies are, at this time, allowed to process some RPs without DBR approval such as those that transfer funds between specific non-personal services allocations such as travel, supplies, and equipment. Others RPs, such as those affecting changes in authorized positions and movement into and out of personal services, grants, and miscellaneous line items, must be approved by DBR. Other RPs (RPLs), such as those that increase authorization to spend based on unbudgeted federal or other program receipts, must be submitted for review by the Legislative Budget and Audit Committee.

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LEGAL ISSUES

The budget cycle for the State of Alaska is defined in Article IX, Section 12 of the Alaska State Constitution. This section states that:

The governor shall submit to the legislature, at a time fixed by law, a budget for the next fiscal year setting forth all proposed expenditures and anticipated income of all departments, offices, and agencies of the State. The governor, at the same time, shall submit a general appropriation bill to authorize the proposed expenditures, and a bill or bills covering recommendations in the budget for new or additional revenues.

We requested an opinion from the Legislative Affairs Agency, Division of Legal Services (DLS) concerning the legality of a biennial budget appropriation. Legal Services stated that the constitutional provision literally requires the governor to submit a budget for each upcoming fiscal year.

DLS further explained that the legislature could, by statute, require that budget planning be done on a biennial basis. The proposed budget for the second fiscal year can be submitted each year along with the governor's budget for the upcoming fiscal year. The proposed budget for the second year could then be resubmitted by the governor for the next budget cycle, with, theoretically, minor adjustments.

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ISSUES ANALYSIS AND CONCLUSIONS

The following addresses the issues raised by the Legislative Budget and Audit Committee in their request to review the biennial budget issue.

- A. Evaluate the amount of agency staff time, by department, consumed during the annual budget development, documentation, and presentation process.

As stated above under Scope and Methodology, we solicited from the various executive, judicial, and legislative agencies the estimated number of hours spent in the development, documentation, and presentation of their respective operating and capital budgets. We calculated the total personal services cost by multiplying the number of hours by the hourly salary considering bargaining unit and the location. We also calculated the related employee benefit cost for each respective department and included that within the total personal services cost. Agencies also estimated their non-personal services costs.

We also received estimates of the percentage of time legislative staff spent in review and analysis of the annual operating and capital budgets during the FY 90 legislative session. If possible, legislative staff were also asked to estimate non-personal services costs.

Based upon agency-submitted unaudited information, we have determined that the cost to develop, document, review, and analyze the State of Alaska operating and capital budgets under the annual budget cycle approximates \$6 million (see Appendix). However, savings of \$6 million every other year under a biennial budget process would not be achieved because of the numerous variables involved and discussed in this report.

- B. Attempt an assessment of the potential savings that could result from establishment of a biennial budget.

We feel a cost savings would result if the State were to adopt a biennial budget. To realize any potential savings the following assumptions would need to be adhered to:

1. Subsequent legislative, executive, and judicial involvement would be receptive to the priorities and level of services budgeted for under a biennial process for the current biennium.
2. Actual revenues would not significantly fall below that budgeted for either year in the biennium.
3. Because of constitutional restrictions, annual appropriation would be necessary with limited review and debate in the off-budget year.
4. Some fiscal year specific budget-related information would still require processing such as personal services and increment or decrement explanations.

5. The biennial budgets would have two years presented in one set of budget documents, not two complete sets.

Savings in non-personal services totalling \$330,496 can be reasonably estimated. This represents non-personal services costs less a consideration for capital budget printing and supplies which would not, over the two year period, be reduced.

Personal services savings would result; however, the total amount is indeterminate because of the numerous variables. Savings would be recognized in the following areas:

1. Costs associated with training and implementation of the budget, which occurs at the beginning of each budget cycle, would be reduced.
2. Costs associated with actual preparation of the budget documents by the various agencies because they would be presented for a two-year period rather than one.
3. Reduced costs resulting from public hearings or with bringing budgets before boards for their approval prior to submission to the Governor, since this would only be done every other year.
4. Reduced costs in the annual review of documents and presentation to the Governor's Office, legislators, and legislative subcommittees, by the budget analysts, directors, and commissioners at the agency level since this review would only be done once every other year.
5. Cost savings would result from a biennial review and analysis, rather than an annual review, by the Governor's Office, Division of Budget Review, legislative staff, and the Division of Legislative Finance.

Cost savings would not be recognized due to some documentation requirements, specifically:

1. Position detail would need to be updated for each year in the biennium.
2. Forms showing increments, decrements, and transfers within the adjusted base may need to be completed for each specific year in the biennium.
3. Additional review and analysis of two-years' worth of adjustments, decrements, and position information.

If unanticipated expenditures or a shortfall in revenues arise, for either budget year within the biennial budget, agencies will need to handle these through revised programs and/or supplemental requests in order to maintain a cost savings, since this process is less expensive than a formal budget process.

C. Present both positive and negative aspects of a biennial budget process.

The biennial budget cycle is the process of preparation of agency budgets, and consideration of budget appropriation bills that either authorize or limit spending every other year. The preparation phase of a biennial budget cycle includes development, documentation, and presentation of an agency budget for authorization and/or spending limits for a two-year period.

The appropriation phase of the biennial budget appropriation is being defined as the authorization or limitation of spending by the legislature for a two-year period. Based upon the constitutionally required annual appropriation, the State of Alaska could only implement a mixed biennial budget cycle (i.e., biennial budget preparation with annual appropriation).

Advantages of biennial budgeting include long range planning and less time spent on budget preparation. Biennial budgeting, during the off budget year would allow a more thorough analysis of programs at the agency level and more opportunity to consider non-budget matters at the legislative level.

Based upon questionnaire responses from the twenty-one states that prepare budgets on a biennial basis, 67% feel that their budget preparation costs are lower than if they prepared budgets on an annual basis. Reasons for the lower costs are less involvement with the legislature every other year and smaller central and agency budget staffs.

Three states feel their budget preparation costs were the same as annual budget states. Florida, one of the two states that prepares budgets biennially yet appropriates annually, said they feel biennial budget preparation does not produce a cost savings because they redevelop the budget in the off-budget year. Three states have no idea as to possible cost savings, and one state feels their budget preparation costs are higher. Hawaii feels their costs were higher because a supplemental budget is prepared in addition to the regular biennial budget.

Seventy-one percent of the biennial budget states feel that long-range planning is a biennial budgeting advantage. Iowa, the other state that prepares budgets biennially yet appropriates annually, said the Governor recognizes the importance of long-term planning and as such requires the agencies to project estimates for more than one year. A majority of the responding annual budget states felt that the lack of long-range planning is the major disadvantage of annual budgeting.

The disadvantages of a biennial budget process are decrease in the accuracy of revenue forecasts and expenditure estimates, and reduced legislative oversight resulting from a biennial review and analysis.

Implementation of a centralized, biennial budgetary system will be costly due to varying degrees of existing automation at the different agencies. Some agencies automated budget

systems were produced in-house for use on the personal computers, with at least one agency running their system using the state mainframe computer. Other agencies use commercial software which allows form generation, development of explanations, and flow of numbers. Some software packages used only print explanations and numbers without form generation. Finally, some decentralized components prepare budget information using electric typewriters.

Revenue and expenditure estimates will be less accurate under a biennial budget system. Under an annual budget system, agency budget personnel are forecasting revenues and expenditures 12-24 months from the present, yet under a biennial budget system these agencies will be forecasting 12-36 months in the future.

Some estimated expenditures are affected by factors which are difficult to predict, such as (1) the estimated number of students which is tied to the economic situation in the State, (2) federally mandated changes in federal programs, (3) changes in the consumer price index affecting some formula-funded programs, and (4) changes in personal services costs due to an increase in insurance or salary.

Some executive agencies felt that the legislature would have to relinquish some of the budget oversight to the agencies as programs may be revised more often due to the greater uncertainty in revenue and expenditure estimates resulting from a biennial budget. Budget revisions would involve the development of revised programs and possible supplementals.

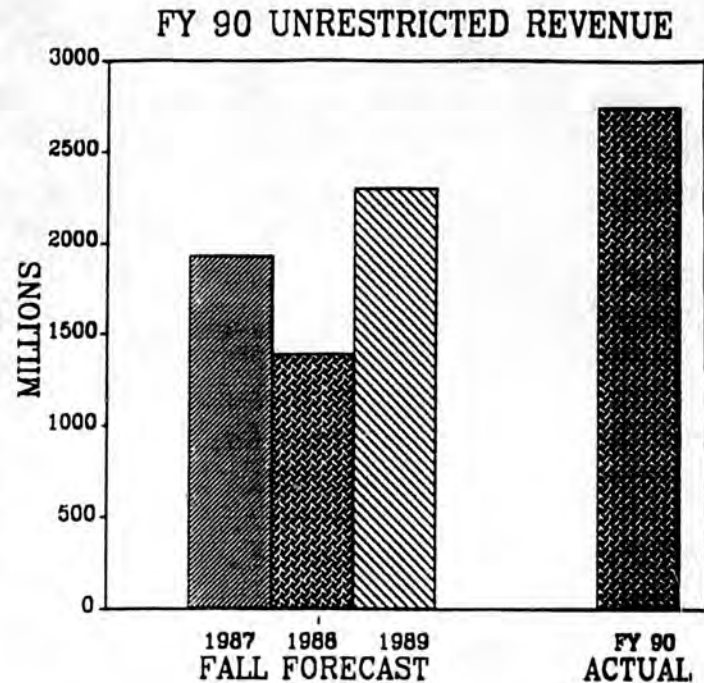
Additionally, biennial budgeting may not be as responsive to the public as annual budgeting. Some programs, such as social services programs, are driven by public needs. Annual legislative review, which includes public participation, would allow participation by the public more often.

Seventy-six percent of the biennial budget states feel that revenue estimates are more difficult to forecast for a two-year period versus one year.

Review of the Alaska revenue sources shows that the majority of our revenue is petroleum-related. According to the State of Alaska's FY 90 Annual Financial Report, when considering both restricted and unrestricted revenue, approximately 62% of our revenue is petroleum-related. Yet, when considering unrestricted revenues only, 85% of the revenue is petroleum-related.

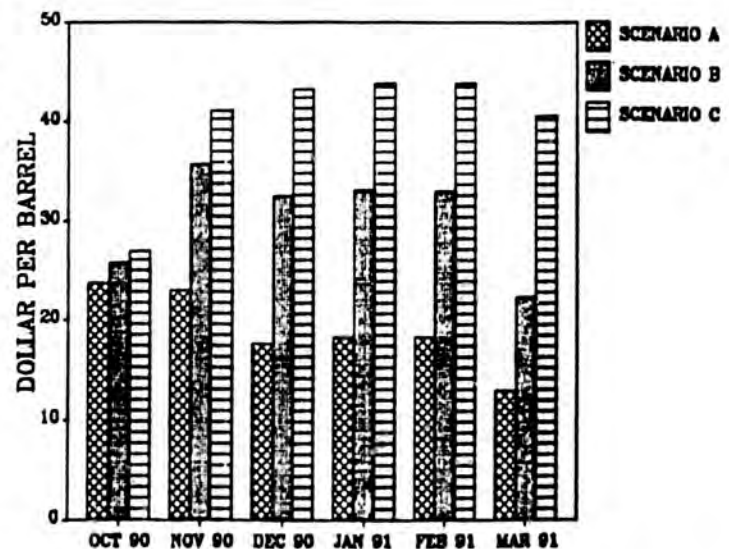
Alaska's revenue sources are unique when compared to other states revenues. According to State and Local Public Finance, 1987, by Ronald C. Fisher (using 1985 data), the five major state and local revenue sources for states are property taxes, sales taxes, state income taxes, federal grants, and user charges. These sources comprise only 23% of the revenue in Alaska.

Review of revenue forecasts prepared in the semi-annually produced State of Alaska Revenue Sources book shows mid-scenario projected revenue forecasts during the fall of 1987 through fall 1989 to be lower than actual revenue received. Normally, as the forecasts were made closer to the fiscal year being considered, the forecast became closer to the actual, yet was still underestimated. One major reason for the differences involves legal settlements. Settlements are only projected for known amounts in the current year's forecast.



In March 1988, consultant John Gault prepared a report for the Department of Revenue titled The Alaska Petroleum Revenue Forecast System. This report considered projections made in the State of Alaska Revenue Sources book between FY 81 - FY 87. In comparing revenue forecasts made in March, just three months prior to the start of the fiscal year, forecasts differed from the actual revenue by amounts ranging from nearly 25% below to over 25% above. This report notes that "these forecast errors are not unusually wide in comparison with other contemporary oil market projections."

The main sources of petroleum-related forecast uncertainty are marker price, market and quality differentials, transportation cost, Trans-Alaska Pipeline System (TAPS) tariff, and production volumes. Price changes pose the greatest uncertainty. Various revenue forecast scenarios between October 1990 and March 1991 differed by up to 200% between the lowest and the highest price estimate per barrel.



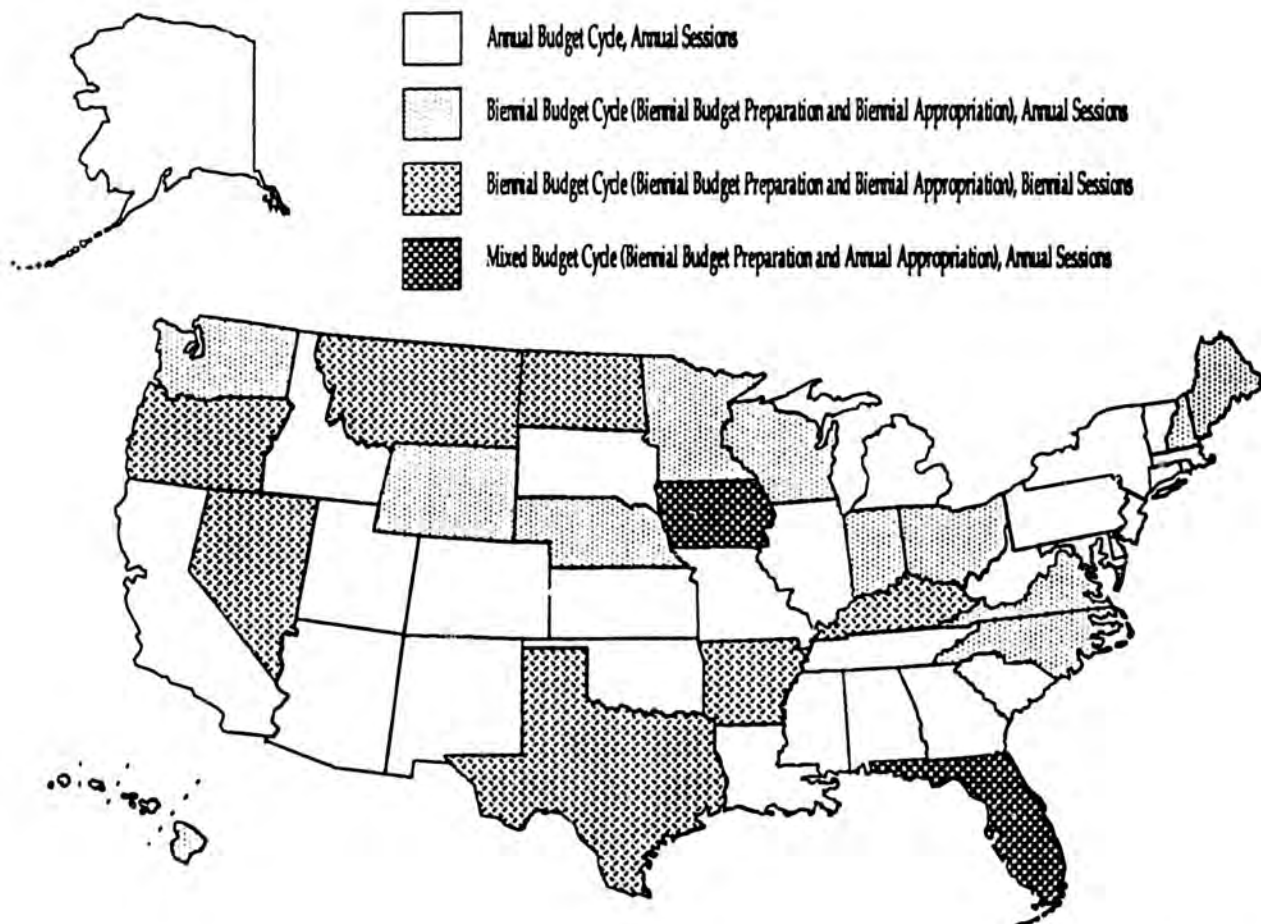
Conclusion

Conceptually, biennial budgeting presents a number of advantages. These advantages include long-range planning and less time and money spent on budget preparation. Biennial budgeting would also provide more time for program evaluation at the agency level and more opportunity to consider non-budget matters at the legislative level.

However, a biennial budget is not practical for the State of Alaska because of historical fluctuations in revenues. Significant revenue fluctuations and annual appropriation by the Legislature may result in redevelopment of the biennial budget in the off-budget year. Also, we believe that if the State changes to a biennial budget preparation, implementation will be costly and the system may be less responsive to the public.

A large percentage of state revenues is petroleum-related and, as such, involves a number of uncertainty factors, the most volatile of those being price. Revenue forecasting becomes increasingly relevant as the supply of oil in Alaska declines. If actual revenues fall significantly below budgeted expenditures presented in a biennial budget, the cost-saving benefit of biennial preparation is lost because legislative, executive, and judicial staff will be required to redevelop the budgets to recognize reductions.

If legislative personnel desire review of the budget documents in the off-budget year, which requires executive agency attendance at subcommittee meetings, presentation time, travel costs, and adjustments to budget documents, cost savings will not be recognized. Legislative review annually may be necessary in order to be responsive to the public. Currently, Alaska Statute 37.07.010 requires the budget system to include procedures for public participation in the development of an annual budget. Biennial review may not be perceived by the public to allow adequate lobbying or participation.



The nationwide trend is towards annual budgeting. Twelve states have changed to annual budget appropriations since 1967. Two of these twelve states only make the appropriation phase of the budget cycle an annual process. Florida, who changed to an annual appropriation in 1981, and Iowa, who changed in 1983, still prepare budgets biennially.

Nineteen states prepare **and** appropriate budgets biennially. Budget cycles for seven of these nineteen states are driven by biennial sessions (see exhibit on page 14). Of the twelve states that biennially appropriate yet have annual sessions, various methods are used to change budgeted amounts for programs during the biennium. Annual session states normally use supplemental appropriation bills to handle their off-budget year adjustments.

In summary, biennial budgeting theoretically should reduce costs associated with budget preparation. However, this would be true for states that have a relatively stable revenue base from which realistic projections can be made. Biennial budgeting may also affect the extent of public participation.

The national trend is moving away from biennial budgets to an annual budgetary basis. We agree with the authors, Lee and Johnson, who wrote, in Public Budgeting Systems, "One of the greatest dangers of a biennial system is that it may complicate, if not prohibit, prompt response to new conditions."

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APPENDIX

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Appendix
Schedule of Annual Operating and
Capital Budget Preparation Costs

<u>Department</u>	<u>Total Personal Services</u> (Note 1)	<u>Non- Personal Services</u>	<u>Total</u>
AGENCY DEVELOPMENT, DOCUMENTATION, AND PRESENTATION			
Office of the Governor	\$ 22,455	\$ 324	\$ 22,779
Department of Administration	154,376	5,438	159,814
Department of Commerce and Economic Development	124,913	4,672	129,585
Department of Community and Reg Affairs (Note 2)	120,713	10,345	131,058
Department of Corrections	105,769	725	106,494
Department of Education	70,917	6,041	76,958
Department of Environmental Conservation	105,922	1,370	107,292
Department of Fish and Game	362,307	58,344	420,651
Department of Health and Social Services	386,534	11,430	397,964
Department of Labor	77,417	1,484	78,901
Department of Law	55,697	400	56,097
Department of Military and Veterans Affairs	42,751	2,041	44,792
Department of Natural Resources	175,162	5,385	180,547
Department of Public Safety	87,308	3,185	90,493
Department of Revenue	108,215	12,871	121,086
Department of Transportation and Public Facilities - Operating	445,888	24,159	470,047
Department of Transportation and Public Facilities - Capital	537,064	29,894	566,958
Commercial Fisheries Entry Commission	7,720	30	7,750
Legislative	35,767	2,670	38,437
University of Alaska (Note 2)	450,000		450,000
Alaska Court System	27,153	500	27,653
TOTAL AGENCY COSTS	<u>\$3,504,048</u>	<u>\$181,308</u>	<u>\$3,685,356</u>
REVIEW AND ANALYSIS			
EXECUTIVE BRANCH			
Office of Management and Budget (Note 3)	782,640	87,930	870,570
LEGISLATIVE BRANCH			
Legislative Finance	484,116	44,372	528,488
Legislative Staff	800,139	19,081	819,220
TOTAL REVIEW AND ANALYSIS	<u>\$2,066,895</u>	<u>\$151,383</u>	<u>\$2,218,278</u>
TOTAL ALL COSTS	<u>\$5,570,943</u>	<u>\$332,691</u>	<u>\$5,903,634</u>

Notes to the Schedule

Note 1 - Personal Services Estimates

These estimates included the FY 91 average benefit rate for the department. If the statewide average benefit percentage was lower than the average benefit percentage for the respective department, we used the statewide percentage to provide the more conservative estimate of the personal services benefits.

Note 2 - University of Alaska Estimates

The University had not estimated budget preparation time at the time this report was finalized. Cost estimates used were those provided in the 1987 House Research Report on this same subject.

Note 3 - Division of Budget Review Estimates

Division of Budget Review estimates were not submitted by the Governor's Office. Statement from the transmittal said the "personnel in the Division of Budget Review work extensively on the Statewide budget on an on-going basis." Therefore, estimates from the 1987 House Research Report documentation were used which estimated 90% of staff time and non-personal services is devoted to budget preparation and review.

WALTER J. HICKEL, GOVERNOR

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET
DIVISION OF BUDGET REVIEW

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August 22, 1991

Randy S. Welker
Legislative Auditor
Alaska State Legislature
Post Office Box W
Juneau, Alaska 99811-3300

RECEIVED
AUG 23 1991

LEGISLATIVE AUDIT

Dear Mr. Welker:

Thank you for the opportunity to review the preliminary audit report on biennial budgeting.

While this Administration has been in office just nine months, it has become evident the current budget process is extremely time-intensive and year round. For this reason, it is difficult to have the time to address major policy issues outside of the technical nature of the budget process. Even though the audit report suggests the fluctuation in Alaska's revenues would make a biennial budget impractical, I believe the concept has other potential public policy benefits which merit further discussion.

Sincerely,

Shelby Stastny **CF**

J. Shelby Stastny
Director

GAIL-

DRAFT VERSION #1 AND VERSION #2 ARE FOR CONSTITUTIONAL AMENDMENT TO PROVIDE FOR BIENNIAL BUDGETING

NOTE: I WOULD RECOMMEND THE SIMPLICITY OF VERSION #1

THE OTHER 4 PAGE DRAFT I'M SENDING IS A BILL SIMILAR TO ONE INTRODUCED BY SENATOR SACKETT IN 1979 TO PROVIDE FOR THE ESTABLISHMENT OF A JOINT BUDGET COMMITTEE AS A PERMANENT INTERIM SUBCOMMITTEE OF THE LEGISLATIVE BUDGET COMMITTEE

AS WE HAVE SPOKEN IN THE PAST, 120 DAYS IS NOT SUFFICIENT TIME TO ANALYZE AND PREPARE A REASONABLE BUDGET TO BE VOTED ON BY THE LEGISLATURE

I WOULD HAVE TO RESEARCH "WHY"? THIS BILL DID NOT BECOME LAW; HOWEVER, I COULD SPECULATE THAT, GIVEN THE YEAR IT WAS INTRODUCED AND THE FACT THAT SENATORS SACKETT AND HOHMAN WERE QUITE POWERFUL DURING THAT TIME AND GIGANTIC OIL REVENUES WERE ANTICIPATED, IT WAS FEARED THAT THIS COMMITTEE WOULD BECOME "ALL POWERFUL" - THAT'S JUST SPECULATION ON MY PART

**SGN
10/26/94**

GAIL-

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AND GIGANTIC OIL REVENUES WERE ANTICIPATED, IT WAS FEARED THAT THIS
COMMITTEE WOULD BECOME "ALL POWERFUL" - THAT'S JUST SPECULATION ON MY
PART

SGN
10/26/94

IN THE HOUSE

BY G. PHILLIPS

HOUSE JOINT RESOLUTION NO.
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF ALASKA TO PROVIDE FOR A BIENNIAL STATE BUDGET.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*SECTION 1. ARTICLE IX, SEC. 12, CONSTITUTION OF THE STATE OF ALASKA, IS AMENDED TO READ:

SECTION 12. BUDGET. THE GOVERNOR SHALL SUBMIT TO THE LEGISLATURE, AT A TIME FIXED BY LAW, A BUDGET FOR THE NEXT TWO FISCAL YEARS [YEAR] SETTING FORTH ALL PROPOSED EXPENDITURES AND ANTICIPATED INCOME OF ALL DEPARTMENTS, OFFICES, AND AGENCIES OF THE STATE. THE GOVERNOR, AT THE SAME TIME, SHALL SUBMIT A GENERAL APPROPRIATION BILL TO AUTHORIZE THE PROPOSED EXPENDITURES, AND A BILL OR BILLS COVERING RECOMMENDATIONS IN THE BUDGET FOR NEW OR ADDITIONAL REVENUES.

* SEC. 2. THE AMENDMENT PROPOSED BY THIS RESOLUTION SHALL BE PLACED BEFORE THE VOTERS OF THE STATE AT THE NEXT GENERAL ELECTION IN CONFORMITY WITH ART. XIII, SEC. 1, CONSTITUTION OF THE STATE OF ALASKA, AND THE ELECTION LAWS OF THE STATE.

IN THE LEGISLATURE OF THE STATE OF ALASKA

HOUSE JOINT RESOLUTION NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF ALASKA TO PROVIDE BIENNIAL BUDGETING.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

***SECTION 1. ARTICLE IX, SEC. 12, CONSTITUTION OF THE STATE OF ALASKA, IS AMENDED TO READ:**

SECTION 12. BUDGET. IN EACH ODD-NUMBERED YEAR THE GOVERNOR SHALL SUBMIT TO THE LEGISLATURE, AT A TIME FIXED BY LAW, A BUDGET SETTING FORTH ALL PROPOSED OPERATING EXPENDITURES FOR THE NEXT FISCAL BIENNIUM AND ALL PROPOSED CAPITAL EXPENDITURES FOR THE NEXT FISCAL YEAR. IN EACH EVEN-NUMBERED YEAR THE GOVERNOR SHALL SUBMIT TO THE LEGISLATURE, AT A TIME FIXED BY LAW, A BUDGET SETTING FORTH ALL PROPOSED CAPITAL EXPENDITURES FOR THE NEXT FISCAL YEAR. EACH BIENNIAL BUDGET SUBMISSION SHALL SET FORTH ANTICIPATED INCOME FROM ALL DEPARTMENTS, OFFICES AND AGENCIES OF THE STATE [THE GOVERNOR SHALL SUBMIT TO THE LEGISLATURE, AT A TIME FIXED BY LAW, A BUDGET FOR THE NEXT FISCAL YEAR SETTING FORTH ALL PROPOSED EXPENDITURES AND ANTICIPATED INCOME OF ALL DEPARTMENTS, OFFICES, AND AGENCIES OF THE STATE]. THE GOVERNOR, AT THE SAME TIME, SHALL SUBMIT A GENERAL

IN THE HOUSE

BY G. PHILLIPS

HOUSE JOINT RESOLUTION NO.
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF ALASKA TO PROVIDE BIENNIAL BUDGETING.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*SECTION 1. ARTICLE IX, SEC. 12, CONSTITUTION OF THE STATE OF ALASKA, IS AMENDED TO READ:

SECTION 12. BUDGET. IN EACH ODD-NUMBERED YEAR THE GOVERNOR SHALL SUBMIT TO THE LEGISLATURE, AT A TIME FIXED BY LAW, A BUDGET SETTING FORTH ALL PROPOSED OPERATING EXPENDITURES FOR THE NEXT FISCAL BIENNIUM AND ALL PROPOSED CAPITAL EXPENDITURES FOR THE NEXT FISCAL YEAR. IN EACH EVEN-NUMBERED YEAR THE GOVERNOR SHALL SUBMIT TO THE LEGISLATURE, AT A TIME FIXED BY LAW, A BUDGET SETTING FORTH ALL PROPOSED CAPITAL EXPENDITURES FOR THE NEXT FISCAL YEAR. EACH BIENNIAL BUDGET SUBMISSION SHALL SET FORTH ANTICIPATED INCOME FROM ALL DEPARTMENTS, OFFICES AND AGENCIES OF THE STATE [THE GOVERNOR SHALL SUBMIT TO THE LEGISLATURE, AT A TIME FIXED BY LAW, A BUDGET FOR THE NEXT FISCAL YEAR SETTING FORTH ALL PROPOSED EXPENDITURES AND ANTICIPATED INCOME OF ALL DEPARTMENTS, OFFICES, AND AGENCIES OF THE STATE]. THE GOVERNOR, AT THE SAME TIME, SHALL SUBMIT A GENERAL

DRAFT - VERSION #2 - CONTINUED

**APPROPRIATION BILL TO AUTHORIZE THE PROPOSED EXPENDITURES, AND A
BILL OR BILLS COVERING RECOMMENDATIONS IN THE BUDGET FOR NEW OR
ADDITIONAL REVENUES.**

*** SEC. 2. THE AMENDMENT PROPOSED BY THIS RESOLUTION SHALL BE PLACED
BEFORE THE VOTERS OF THE STATE AT THE NEXT GENERAL ELECTION IN CONFORMITY
WITH ART. XIII, SEC. 1, CONSTITUTION OF THE STATE OF ALASKA, AND THE
ELECTION LAWS OF THE STATE.**

**10/21/94
SGN**

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IN THE HOUSE

BY G. PHILLIPS

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

FOR AN ACT ENTITLED: "AN ACT RELATING TO THE LEGISLATIVE BUDGET AND
AUDIT COMMITTEE; ESTABLISHING A JOINT BUDGET
SUBCOMMITTEE; AND PROVIDING FOR AN EFFECTIVE
DATE."

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

* SECTION 1. AS 24.20.161 IS AMENDED TO READ:

SEC. 24.20.161. MEMBERSHIP. THE LEGISLATIVE BUDGET AND AUDIT
COMMITTEE IS COMPOSED OF 10 MEMBERS: (1) THE CHAIRMEN OF THE SENATE
AND HOUSE FINANCE COMMITTEES; (2) ONE MAJORITY AND ONE MINORITY
MEMBER SELECTED FROM EACH OF THE SENATE AND HOUSE FINANCE COMMITTEES
AND APPOINTED BY THE PRESIDENT OF THE SENATE AND SPEAKER OF THE HOUSE
RESPECTIVELY; AND (3) TWO [THREE] MEMBERS APPOINTED FROM EACH HOUSE
BY THE RESPECTIVE PRESIDING OFFICER. [THE CHAIRMAN OF THE FINANCE
COMMITTEE MAY CHOOSE NOT TO SERVE ON THE COMMITTEE. IF THIS OCCURS,
THE PRESIDING OFFICER OF THE APPROPRIATE HOUSE SHALL APPOINT A
REPLACEMENT FROM THE FINANCE COMMITTEE. THE MEMBERSHIP FROM EACH
HOUSE SHALL INCLUDE AT LEAST ONE MEMBER FROM EACH OF THE TWO
MAJOR POLITICAL PARTIES.] THE COMMITTEE SHALL SELECTS ITS OWN
CHAIRMAN.

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*** SEC. 2. AS 24.20 IS AMENDED BY ADDING A NEW SECTION TO READ:**

SEC. 24.20.195. JOINT BUDGET COMMITTEE. (A) THE JOINT BUDGET COMMITTEE IS ESTABLISHED AS A PERMANENT INTERIM SUBCOMMITTEE OF THE LEGISLATIVE BUDGET AND AUDIT COMMITTEE. THE SUBCOMMITTEE IS COMPOSED OF THE SIX MEMBERS OF THE FINANCE COMMITTEE SERVING ON THE LEGISLATIVE BUDGET AND AUDIT COMMITTEE IN ACCORDANCE WITH AS 24.20.161(1) AND (2).

(B) THE JOINT BUDGET COMMITTEE SHALL

(1) REVIEW STATE REVENUE PROJECTIONS AND MAKE RECOMMENDATIONS CONCERNING REVENUES TO THE LEGISLATURE, AS PROVIDED IN THE EXECUTIVE BUDGET ACT (AS 37.07); AND

(2) REVIEW REQUESTS FOR STATE AGENCY ANNUAL PROGRAM APPROPRIATIONS AND SUPPLEMENTAL APPROPRIATIONS, AND MAKE RECOMMENDATIONS ON THESE REQUEST TO THE LEGISLATURE IN THE FORMAT OF AN APPROPRIATION BILL, ACCOMPANIED BY THE DOCUMENTATION FOR APPROPRIATION BILLS PREPARED BY THE LEGISLATIVE FINANCE DIVISION.

*** SEC. 3. AS 37.07.070 IS AMENDED TO READ:**

SEC. 37.07.070. LEGISLATIVE REVIEW. THE LEGISLATURE SHALL CONSIDER THE GOVERNOR'S PROPOSED COMPREHENSIVE OPERATING AND CAPITAL IMPROVEMENTS PROGRAMS AND FINANCIAL PLANS, EVALUATE ALTERNATIVES TO THE PLANS, MAKE PROGRAM SELECTIONS AMONG THE VARIOUS ALTERNATIVES AND DETERMINE, SUBJECT TO AVAILABLE REVENUES, THE LEVEL OF FUNDING REQUIRED TO SUPPORT AUTHORIZED STATE SERVICES. THE OPERATING AND CAPITAL BUDGETS OF EACH AGENCY SHALL BE SEPARATELY REVIEWED. DURING EACH REGULAR SESSION OF THE LEGISLATURE, LEGISLATIVE REVIEW OF THE PLANS: THE GOVERNOR'S SUPPLEMENTAL

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APPROPRIATION BILLS AND THE GOVERNOR'S BUDGET AMENDMENTS SHALL BE ACCOMPLISHED ACCORDING TO THE FOLLOWING SCHEDULE: [GOVERNED BY THE FOLLOWING TIME LIMITS:]

(1) REQUESTS BY THE GOVERNOR FOR SUPPLEMENTAL APPROPRIATIONS FOR STATE AGENCY OPERATING AND CAPITAL BUDGETS FOR THE CURRENT FISCAL YEAR MAY BE INTRODUCED BY THE RULES COMMITTEE ONLY THROUGH THE 30TH LEGISLATIVE DAY.

(2) BY THE 45TH LEGISLATIVE DAY, THE LEGISLATURE SHALL HAVE ESTABLISHED BY CONCURRENT RESOLUTION THE TOTAL AMOUNT OF STATE GENERAL FUNDS THAT SHALL BE AVAILABLE FOR APPROPRIATION FOR THE BUDGET YEAR AND THE TENTATIVE ALLOCATION OF THE FUNDS AMONG PROGRAM CATEGORIES IN BOTH THE OPERATING AND CAPITAL BUDGETS. THE RESOLUTION SHALL BE INTRODUCED BY THE JOINT BUDGET COMMITTEE.

[2] (3) REQUESTS BY THE GOVERNOR FOR BUDGET AMENDMENTS TO STATE AGENCY BUDGETS FOR THE BUDGET FISCAL YEAR MAY BE RECEIVED AND REVIEWED BY THE FINANCE COMMITTEES ONLY THROUGH THE 60TH LEGISLATIVE DAY.

(4) BY THE 90TH LEGISLATIVE DAY, THE HOUSE IN WHICH THE GENERAL APPROPRIATIONS BILL WAS INTRODUCED BY THE GOVERNOR SHALL HAVE CALENDARED FOR SECOND READING A VERSION OF THE GENERAL APPROPRIATIONS BILL AS REPORTED BY THE JOINT BUDGET COMMITTEE. THE BILL SHALL BE REPORTED WITH DOCUMENTATION TO EXPLAIN THE PROPOSED APPROPRIATIONS AND RELATED STATEMENTS OF INTENT. IN ADDITION, A LIST OF OTHER APPROPRIATIONS OR MEASURES WITH FISCAL IMPLICATIONS

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**PENDING BEFORE THE LEGISLATURE SHALL BE INCLUDED WITH DOCUMENTATION
FOR THE CALENDARED BILL.**

*** SEC. 4. AS 24.20.201(B) IS REPEALED.**

*** SEC. 5. THIS ACT TAKES EFFECT JANUARY 1, 1997.**

GAIL:

AT LONG LAST HERE IS YOUR BIENNIAL STATE BUDGET BILL DRAFT.

I HAVE SCANNED THE STATUTES FOR ALL THE NECESSARY CHANGES; HOWEVER, I WOULD SUGGEST YOU HAVE LEGAL SCAN BY COMPUTER ALL THE STATUTES AND 1993 AND 1994 SUPPLEMENTS TO LOOK FOR THE WORD "ANNUALLY", "ANNUAL BUDGET", ETC. - AN EXAMPLE WOULD BE SEC. 37.14.415 BUDGET AND REPORTS THAT MAY NEED TO BE AMENDED.

**SGN
11-23-94**

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IN THE HOUSE

BY G. PHILLIPS

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A BIENNIAL STATE BUDGET; AND
PROVIDING FOR AN EFFECTIVE DATE."

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

* SECTION 1. INTENT. IT IS THE INTENT OF THE LEGISLATURE THAT THE PLANNING AND PREPARATION OF THE STATE BUDGET BE ON A BIENNIAL BASIS. THE BIENNIAL BUDGET SHALL CONTAIN APPROPRIATIONS FOR THE SUCCEEDING TWO FISCAL YEARS AND STATE AGENCIES SHALL PREPARE THEIR BUDGETS ON THIS BASIS. HOWEVER, THE LEGISLATURE FURTHER INTENDS THAT REPORTING AND AUDITING REQUIRED OF STATE AGENCIES BY LAW REMAIN ON AN ANNUAL BASIS, FOR EACH FISCAL YEAR OF THE BIENNIAL BUDGET.

* SEC. 2. AS 05.40.210 IS AMENDED TO READ:

SEC. 05.40.210. BUDGET AND APPROPRIATIONS. THE AUTHORITY SHALL SUBMIT ITS BIENNIAL [ANNUAL] BUDGET TO THE LEGISLATURE THROUGH THE GOVERNOR AS PROVIDED FOR STATE AGENCIES BY AS 37.07 (EXECUTIVE BUDGET ACT). THE AUTHORITY SHALL EXPEND MONEY APPROPRIATED BY THE LEGISLATURE AS AUTHORIZED BY THE LEGISLATURE.

* SEC. 3. AS 14.17.255(B) IS AMENDED TO READ:

(B) MONEY TO CARRY OUT THE PROVISIONS OF AS 14.17.010 - 14.-17.190 MAY BE APPROPRIATED [ANNUALLY] BY THE LEGISLATURE INTO THE PUBLIC SCHOOL FOUNDATION ACCOUNT. IF AMOUNTS IN THE ACCOUNT ARE

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INSUFFICIENT TO MEET THE ALLOCATIONS AUTHORIZED UNDER AS 14.17.-010 - 14.17.190, [FOR A FISCAL YEAR, EACH DISTRICT'S BASIC NEED SHALL BE REDUCED PRO RATA AS NECESSARY TO MAKE THE FUNDS AVAILABLE SUFFICIENT TO MEET THE ALLOCATIONS FOR THAT FISCAL YEAR] SUCH FUNDS AS ARE AVAILABLE SHALL BE DISTRIBUTED PRO RATA AMONG EACH DISTRICT BASED UPON THE DISTRICT'S NEED.

- * SEC. 4. AS 22.30.040 IS AMENDED TO READ:

SEC. 22.30.040. PREPARATION OF BUDGET. THE COMMISSION SHALL BE RESPONSIBLE FOR PREPARING AND PRESENTING TO THE LEGISLATURE ITS PROPOSED [ANNUAL] BUDGETS. [FOR THE COMMISSION]

- * SEC. 5. AS 23.30.241(B) IS AMENDED TO READ:

(B) APPROPRIATIONS [ANNUAL APPROPRIATIONS] TO FUND THE COVERAGE PROVIDED FOR IN (A) OF THIS SECTION SHALL BE PROVIDED FOR IN THE BUDGET OF THE DEPARTMENT OF PUBLIC SAFETY.

- * SEC. 6. AS 23.30.242(B) IS AMENDED TO READ:

(B) APPROPRIATIONS [ANNUAL APPROPRIATIONS] TO FUND THE COVERAGE PROVIDED FOR IN (A) OF THIS SECTION SHALL BE PROVIDED FOR IN THE BUDGET OF THE OFFICE OF THE GOVERNOR.

- * SEC. 7. AS 24.20.130 IS AMENDED TO READ:

SEC. 24.20.130. BUDGETS. THE COUNCIL SHALL SUBMIT A BUDGET OF ITS ANTICIPATED NEEDS FOR EACH FISCAL YEAR TO THE FINANCE COMMITTEES OF THE LEGISLATURE. THE EXECUTIVE DIRECTOR SHALL BIENNIALLY [ANNUALLY] SUBMIT AN ESTIMATED BUDGET TO THE GOVERNOR FOR INFORMATION PURPOSES IN THE PREPARATION OF THE EXECUTIVE BUDGET. THE COUNCIL STAFF SHALL ALSO ASSIST, AS NEEDED, IN PREPARING A BUDGET OF THE ANTICIPATED [ANNUAL] NEEDS OF THE LEGISLATURE.

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- * SEC. 8. AS 24.20.132 IS AMENDED TO READ:

SEC. 24.20.132. LEGISLATIVE BUDGET AND EXPENSES. THE ESTIMATE OF OPERATING EXPENSES FOR THE LEGISLATURE SHALL BE INCLUDED IN THE BIENNIAL [ANNUAL] BUDGET SUBMITTED BY THE LEGISLATIVE COUNCIL. A SUMMARY TOTAL BY MAJOR ITEM SHALL BE SUBMITTED BY THE COUNCIL TO THE GOVERNOR FOR INFORMATION PURPOSES IN THE PREPARATION OF THE EXECUTIVE BUDGET. A DETAILED BUDGET DOCUMENT SHALL BE SUBMITTED TO THE HOUSE AND SENATE FINANCE COMMITTEES. ALL DISBURSEMENTS FROM LEGISLATIVE APPROPRIATIONS SHALL BE CERTIFIED BY THE BONDED CERTIFYING OFFICER DESIGNATED BY THE COUNCIL.

- * SEC. 9. AS 24.55.080(c) IS AMENDED TO READ:

(c) THE OMBUDSMAN SHALL SUBMIT A BUDGET FOR EACH FISCAL YEAR TO THE ALASKA LEGISLATIVE COUNCIL AND THE COUNCIL SHALL BIENNIALLY [ANNUALLY] SUBMIT AN ESTIMATED BUDGET TO THE GOVERNOR FOR INFORMATION PURPOSES IN THE PREPARATION OF THE EXECUTIVE BUDGET. AFTER REVIEWING AND APPROVING, WITH OR WITHOUT MODIFICATIONS, THE BUDGET SUBMITTED BY THE OMBUDSMAN, THE COUNCIL SHALL SUBMIT THE APPROVED BUDGET TO THE FINANCE COMMITTEES OF THE LEGISLATURE.

- * SEC. 10. AS 26.05.226(b) IS AMENDED TO READ:

(b) THE AMOUNT REQUIRED FOR CONTRIBUTIONS FROM THE DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS UNDER (a) OF THE SECTION SHALL BE INCLUDED IN [THE ANNUAL] APPROPRIATIONS MADE TO THE DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS.

- * SEC. 11. AS 37.07.010 IS AMENDED TO READ:

SEC. 37.07.010. STATEMENT OF POLICY. IT IS THE PURPOSE OF THIS CHAPTER TO ESTABLISH A COMPREHENSIVE SYSTEM FOR STATE PROGRAM

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AND FINANCIAL MANAGEMENT THAT FURTHERS THE CAPACITY WHICH THEY DETERMINE THE STATE WILL PROVIDE FOR ITS CITIZENS. THE SYSTEM SHALL INCLUDE PROCEDURES FOR

(1) THE ORDERLY ESTABLISHMENT, CONTINUING REVIEW, AND PERIODIC REVISION OF THE PROGRAM GOALS AND POLICIES OF STATE AGENCIES AND FINANCIAL GOALS AND POLICIES OF THE STATE;

(2) THE DEVELOPMENT, COORDINATION AND REVIEW OF LONG-RANGE PROGRAM AND FINANCIAL PLANS THAT WILL IMPLEMENT ESTABLISHED STATE GOALS AND POLICIES;

(3) THE PREPARATION, COORDINATION, ANALYSIS, AND ENACTMENT OF A BIENNIAL BUDGET THAT IS ORGANIZED TO FOCUS ON THE SERVICES PROVIDED BY STATE AGENCIES AND ON THE COST OF THOSE SERVICES AND THAT PROVIDES FOR IMPLEMENTATION OF POLICIES AND PLANS IN THE SUCCEEDING BUDGET PERIOD;

(4) THE EVALUATION OF ALTERNATIVES TO EXISTING POLICIES, PLANS AND PROCEDURES THAT OFFER POTENTIAL FOR MORE EFFICIENT STATE SERVICES;

(5) THE REGULAR APPRAISAL AND REPORTING OF PROGRAM PERFORMANCE;

(6) PUBLIC PARTICIPATION IN THE DEVELOPMENT OF THE BIENNIAL [ANNUAL] BUDGET, INCLUDING OPPORTUNITY FOR THE PUBLIC TO REVIEW AND COMMENT UPON THE PLANS AND PROGRAMS OF THE OFFICE OF THE GOVERNOR AND ALL STATE AGENCIES IN THE EXECUTIVE BRANCH, THE LEGISLATURE, THE JUDICIAL SYSTEM, THE UNIVERSITY OF ALASKA AND THE PUBLIC CORPORATIONS OF THE STATE.

*** SEC. 12. AS 37.07.020(A) IS AMENDED TO READ:**

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(A) THE GOVERNOR SHALL PREPARE AND SUBMIT TO THE LEGISLATURE BEFORE THE FOURTH LEGISLATIVE DAY OF EACH SECOND REGULAR LEGISLATIVE SESSION A BUDGET FOR THE SUCCEEDING TWO FISCAL YEARS [YEAR] WHICH MUST COVER ALL ESTIMATED RECEIPTS, INCLUDING ALL GRANTS, LOANS, AND MONEY RECEIVED FROM THE FEDERAL GOVERNMENT, AND ALL PROPOSED EXPENDITURES OF THE STATE GOVERNMENT. THE BUDGET SUBMITTED BY THE GOVERNOR SHALL BE ORGANIZED SO THAT THE PROPOSED EXPENDITURES FOR EACH AGENCY ARE PRESENTED SEPARATELY. THE BUDGET SHALL BE ACCOMPANIED BY A GENERAL APPROPRIATION BILL TO AUTHORIZE THE PROPOSED EXPENDITURES, AND A BILL OR BILLS COVERING RECOMMENDATIONS IN THE BUDGET FOR NEW OR ADDITIONAL REVENUE. THE PROPOSED GENERAL APPROPRIATIONS BILL SHALL BECOME PUBLIC INFORMATION ON DECEMBER 15 [OF EACH YEAR] AT WHICH TIME THE GOVERNOR SHALL SUBMIT COPIES TO THE LEGISLATURE AND MAKE COPIES AVAILABLE TO THE PUBLIC.

* SEC. 13. AS 37.07.020(c) IS AMENDED TO READ:

(C) PROPOSED EXPENDITURES MAY NOT EXCEED ESTIMATED REVENUES FOR THE SUCCEEDING TWO FISCAL YEARS [YEAR]. THE EXPENDITURES PROPOSED IN THE SIX-YEAR CAPITAL IMPROVEMENTS PROGRAM AND FINANCIAL PLAN MAY NOT EXCEED THE ESTIMATED REVENUE AND BOND AUTHORIZATIONS PASSED AND PROPOSED.

* SEC. 14. AS 37.07.020 IS AMENDED BY ADDING A NEW SUBSECTION TO READ:

(E) DURING EACH FIRST REGULAR LEGISLATIVE SESSION, THE GOVERNOR MAY PROPOSE ADJUSTMENTS TO THE BIENNIAL BUDGET INCLUDING SPECIAL AND SUPPLEMENTAL APPROPRIATIONS.

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*** SEC. 15. AS 37.07.030 IS AMENDED TO READ:**

**SEC. 37.07.030 RESPONSIBILITIES OF THE LEGISLATURE. THE
LEGISLATURE SHALL**

- (1) PROVIDE FOR A BUDGET REVIEW FUNCTION;**
- (2) ANALYZE THE COMPREHENSIVE OPERATING THE CAPITAL
IMPROVEMENTS PROGRAMS AND FINANCIAL PLANS RECOMMENDED BY THE
GOVERNOR;**
- (3) ADOPT LEGISLATION TO AUTHORIZE IMPLEMENTATION OF
THE GOVERNOR'S COMPREHENSIVE OPERATING AND CAPITAL IMPROVEMENTS
PROGRAMS AND FINANCIAL PLANS OR APPROPRIATE ALTERNATIVES TO THOSE
PLANS;**
- (4) PROVIDE FOR A POST-AUDIT FUNCTION TO COVER FINANCIAL
TRANSACTIONS, PROGRAM ACCOMPLISHMENT, AND COMPLIANCE WITH LEGISLA-
TIVE INTENT;**
- (5) ADOPT OR REVISE THE ESTIMATE OR RECEIPTS REQUIRED TO
BALANCE THE BIENNIAL [SUCCEEDING FISCAL YEAR'S] BUDGET IN ORDER
THAT PROPOSED EXPENDITURES DO NOT EXCEED ESTIMATED RECEIPTS FOR
THE SUCCEEDING BUDGET PERIOD [THAT FISCAL YEAR];**
- (6) ADOPT, REVISE OR INITIATE REVENUE MEASURE IN ORDER TO
BALANCE THE BIENNIAL [SUCCEEDING FISCAL YEAR'S] BUDGET AND THE
CAPITAL IMPROVEMENTS SECTION OF THE BUDGET FOR THE SUCCEEDING SIX
YEARS.**

*** SEC. 16. AS 37.07.040 IS AMENDED TO READ:**

**SEC. 37.07.040. OFFICE OF MANAGEMENT AND BUDGET. THE ALASKA
OFFICE OF MANAGEMENT AND BUDGET SHALL**

- (1) ASSIST THE GOVERNOR IN THE PREPARATION AND EXPLANA-**

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TION OF THE PROPOSED COMPREHENSIVE PROGRAM AND FINANCIAL PLAN, INCLUDING THE COORDINATION AND ANALYSIS OF STATE AGENCY GOALS AND OBJECTIVES, PLANS, AND BUDGET REQUEST;

(2) PREPARE FOR SUBMISSION TO THE GOVERNOR AN ANNUALLY UPDATED SIX-YEAR CAPITAL IMPROVEMENTS PROGRAM AND THE PROPOSED CAPITAL IMPROVEMENTS BUDGET FOR THE SUCCEEDING BUDGET PERIOD [COMING FISCAL YEAR], THE LATTER TO INCLUDE INDIVIDUAL PROJECT JUSTIFICATION WITH DOCUMENTATION OF ESTIMATED PROJECT COST;

(3) DEVELOP PROCEDURES TO PRODUCE THE INFORMATION NEEDED FOR EFFECTIVE POLICY DECISION MAKING, INCLUDING PROCEDURES TO PROVIDE FOR THE DISSEMINATION OF INFORMATION ABOUT PLANS, PROGRAMS, AND BUDGET REQUEST TO BE INCLUDED IN THE BIENNIAL [ANNUAL] BUDGET AND OPPORTUNITY FOR PUBLIC REVIEW AND COMMENT DURING THE PERIOD OF BUDGET PREPARATION;

(4) ASSIST STATE AGENCIES IN THEIR STATEMENT OF GOALS AND OBJECTIVES, PREPARATION OF PLANS, BUDGET REQUESTS, AND REPORTING OF PROGRAM PERFORMANCE; ALL DOCUMENTS FORWARDED BY THE OFFICE TO A STATE AGENCY CONTAINING INSTRUCTIONS FOR THE PREPARATION OF PROGRAM PLANS AND BUDGET REQUEST AND THE REPORTING OF PROGRAM PERFORMANCE ARE PUBLIC INFORMATION AFTER THE DATE THEY ARE FORWARDED;

(5) ADMINISTER ITS RESPONSIBILITIES UNDER THE PROGRAM EXECUTION PROVISIONS OF THIS CHAPTER SO THAT THE POLICY DECISIONS AND BUDGET DETERMINATIONS OF THE GOVERNOR AND THE LEGISLATURE ARE IMPLEMENTED;

(6) PROVIDE THE LEGISLATIVE FINANCE DIVISION WITH THE BUDGET INFORMATION IT MAY REQUEST;

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(7) PROVIDE THE LEGISLATIVE FINANCE DIVISION WITH AN ADVANCE COPY OF THE GOVERNOR'S BUDGET WORKBOOKS BY THE FIRST MONDAY IN JANUARY OF EACH SECOND REGULAR LEGISLATIVE SESSION; [YEAR, EXCEPT THAT FOLLOWING A GUBERNATORIAL ELECTION YEAR THE ADVANCE COPY SHALL BE PROVIDED BY THE SECOND MONDAY IN JANUARY.]

(8) PREPARE THE PROPOSED CAPITAL IMPROVEMENTS BUDGET FOR THE SUCCEEDING BUDGET PERIOD [COMING FISCAL YEAR] EVALUATING BOTH STATE AND LOCAL REQUESTS FROM THE STANDPOINT OF NEED, EQUITY, AND PRIORITIES OF THE JURISDICTION; OTHER FACTORS SUCH AS PROJECT AMOUNTS, POPULATION, LOCAL FINANCIAL MATCH, FEDERAL FUNDS BEING USED FOR LOCAL MATCH, MUNICIPALITY OR UNINCORPORATED COMMUNITY ACCEPTANCE OF THE FACILITY, AND ALL ASSOCIATED COSTS OF THE FACILITY MAY BE CONSIDERED.

* SEC. 17. AS 37.07.050(A) IS AMENDED TO READ:

(A) EACH STATE AGENCY, ON THE DATE AND IN THE FORM AND CONTENT PRESCRIBED BY THE OFFICE, SHALL PREPARE AND FORWARD TO THE OFFICE AND THE LEGISLATIVE FINANCE DIVISION

(1) THE GOALS AND OBJECTIVES OF THE AGENCY PROGRAMS, TOGETHER WITH PROPOSED SUPPLEMENTS, DELETIONS AND REVISIONS;

(2) ITS PROPOSED PLANS TO IMPLEMENT THE GOALS AND OBJECTIVES, INCLUDING ESTIMATES OF FUTURE SERVICE NEEDS, PLANNED METHODS OF ADMINISTRATION, PROPOSED MODIFICATION OF EXISTING PROGRAM SERVICES AND ESTABLISHMENT OF NEW PROGRAM SERVICES, AND THE ESTIMATED RESOURCES NEEDED TO CARRY OUT THE PROPOSED PLAN;

(3) THE BUDGET REQUESTED TO CARRY OUT ITS PROPOSED PLANS IN THE SUCCEEDING TWO FISCAL YEARS [YEAR], INCLUDING INFORMA-

TION REFLECTING THE EXPENDITURES DURING THE LAST TWO FISCAL YEARS [YEAR], THOSE AUTHORIZED FOR THE CURRENT FISCAL YEAR, THOSE PROPOSED FOR THE SUCCEEDING TWO FISCAL YEARS [YEAR], AN EXPLANATION OF THE SERVICES TO BE PROVIDED, THE NUMBER OF TOTAL POSITIONS FOR ALL PERSONS EMPLOYED OR UNDER CONTRACT BY THE AGENCY FOR PERSONAL SERVICES INCLUDING THOSE RENDERED FOR CAPITAL IMPROVEMENT PROJECTS, THE NEED FOR THE SERVICES, THE COST OF THE SERVICES, AND ANY OTHER INFORMATION REQUESTED BY THE OFFICE;

(4) A REPORT OF THE RECEIPTS DURING THE LAST TWO FISCAL YEARS [YEAR], AN ESTIMATE OF THE RECEIPTS DURING THE CURRENT FISCAL, AND AN ESTIMATE FOR THE SUCCEEDING TWO FISCAL YEARS [YEAR];

(5) A STATEMENT OF LEGISLATION REQUIRED TO IMPLEMENT THE PROPOSED PROGRAMS AND FINANCIAL PLANS;

(6) AN EVALUATION OF THE ADVANTAGES AND DISADVANTAGES OF SPECIFIC ALTERNATIVES TO EXISTING OR PROPOSED PROGRAM POLICIES OR ADMINISTRATIVE METHODS.

* SEC. 18. AS 37.07.050(F) IS AMENDED TO READ:

(F) BUDGET REQUESTS FOR BOARD AND COMMISSIONS AND FOR THOSE AGENCY PROGRAMS FOR THE TWO FISCAL YEARS [YEAR] FOLLOWING TERMINATION UNDER AS 44.66 SHALL BE PREPARED AND SUBMITTED. THE RECOMMENDED APPROPRIATION REQUEST SHALL INCLUDE:

(1) AN IDENTIFICATION OF THE OBJECTIVES INTENDED FOR THE PROGRAM AND THE PROBLEM OR NEED WHICH THE ACTIVITIES AND OPERATIONS OF THE BOARD, COMMISSION OR PROGRAM IS INTENDED TO ADDRESS;

(2) AN ASSESSMENT OF THE DEGREE TO WHICH THE ORIGINAL

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OBJECTIVES OF THE PROGRAM HAVE BEEN ACHIEVED EXPRESSED IN TERMS OF PERFORMANCE, EFFECTS, OR ACCOMPLISHMENTS OF THE PROGRAM AND OF THE PROGRAM OR NEED WHICH IT WAS INTENDED TO ADDRESS;

(3) A STATEMENT OF THE PERFORMANCE AND ACCOMPLISHMENTS OF THE PROGRAM IN EACH OF THE LAST FOUR COMPLETED FISCAL YEARS AND OF THE COSTS INCURRED IN THE OPERATION OF THE PROGRAM;

(4) A STATEMENT OF THE NUMBER AND TYPES OF PERSONS AFFECTED BY THE OPERATION OF THE PROGRAM;

(5) A SUMMARY STATEMENT, FOR EACH OF THE LAST THREE COMPLETED FISCAL YEARS, OF THE NUMBER OF PERSONNEL EMPLOYED IN CARRYING OUT THE PROGRAM AND A SUMMARY OF THE COST OF PERSONNEL EMPLOYED UNDER CONTRACT IN CARRYING OUT THE PROGRAM;

(6) AN ASSESSMENT OF THE EFFECT OF THE PROGRAM ON THE ECONOMY OF THE STATE;

(7) AN ASSESSMENT OF THE DEGREE TO WHICH THE OVERALL POLICIES OF THE PROGRAM, AS EXPRESSED IN REGULATIONS ADOPTED BY THE AGENCY, BOARD OR COMMISSION AND ITS DECISIONS, MEET THE OBJECTIVES OF THE LEGISLATURE IN ESTABLISHING THE PROGRAM; AND

(8) AN ANALYSIS OF THE SERVICES AND PERFORMANCE ESTIMATED TO BE ACHIEVED IF THE LIFE OF THE AGENCY, BOARD OR COMMISSION WERE TO BE CONTINUED;

(9) ALL GOALS AND OBJECTIVES, PLANS, PROGRAM, ESTIMATES, BUDGETS, AND OTHER DOCUMENTS FORWARDED TO THE OFFICE OF MANAGEMENT AND BUDGET BY A STATE AGENCY UNDER THIS SECTION ARE PUBLIC INFORMATION AFTER THE DATE THEY ARE FORWARDED.

*** SEC. 19. AS 37.07.060 IS AMENDED TO READ:**

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SEC. 37.07.060. GOVERNOR'S RECOMMENDATION. (A) THE GOVERNOR SHALL FORMULATE THE OPERATING AND CAPITAL IMPROVEMENTS PROGRAMS AND FINANCIAL PLANS REQUIRED TO BE RECOMMENDED TO THE LEGISLATURE BY AS 37.07.020 AFTER CONSIDERING THE STATE AGENCY PROPOSED PROGRAM AND FINANCIAL PLANS, AND OTHER PROGRAMS AND ALTERNATIVES THAT THE GOVERNOR CONSIDERS APPROPRIATE. THE PLANS MUST INCLUDE THE GOVERNOR'S RECOMMENDED GOALS AND POLICIES, RECOMMENDED PLANS TO IMPLEMENT THE GOALS AND POLICIES, RECOMMENDED OPERATING PROGRAM FOR THE SUCCEEDING TWO FISCAL YEARS [YEAR], RECOMMENDED CAPITAL IMPROVEMENTS PROGRAM FOR THE SUCCEEDING SIX FISCAL YEARS, RECOMMENDED PROGRAMS FOR THE UPGRADING OF PUBLIC BUILDINGS AND FACILITIES PREPARED IN ACCORDANCE WITH AS 35.10.015, AND RECOMMENDED REVENUE MEASURES TO SUPPORT THE PROGRAMS.

(B) THE GOVERNOR SHALL PRESENT THE PROPOSED COMPREHENSIVE OPERATING AND CAPITAL IMPROVEMENTS PROGRAMS AND FINANCIAL PLANS IN A MESSAGE TO A JOINT SESSION OF THE LEGISLATURE BEFORE THE FOURTH LEGISLATIVE DAY FOLLOWING THE CONVENING OF THE LEGISLATURE IN EACH SECOND REGULAR SESSION. THE MESSAGE SHALL BE ACCOMPANIED BY AN EXPLANATORY REPORT THAT SUMMARIZED RECOMMENDED GOALS, PLANS, AND APPROPRIATIONS. THE REPORT MUST CONTAIN

(1) THE COORDINATED PROGRAM GOALS AND OBJECTIVES WHICH THE GOVERNOR RECOMMENDS TO GUIDE THE DECISIONS ON THE PROPOSED PROGRAM PLANS AND BUDGET APPROPRIATIONS;

(2) THE GOVERNOR'S OPERATING PROGRAM AND BUDGET RECOMMENDATIONS FOR THE SUCCEEDING TWO FISCAL YEARS [YEAR] ORGANIZED BY AGENCY AS REQUIRED BY AS 37.07.020(A);

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(3) THE GOVERNOR'S CAPITAL IMPROVEMENTS PROGRAM AND BUDGET RECOMMENDATIONS FOR THE SUCCEEDING TWO FISCAL YEARS [YEAR] AND CAPITAL IMPROVEMENTS PROGRAM FOR THE SUCCEEDING SIX FISCAL YEARS WHICH MUST INCLUDE

(A) A DESCRIPTION OF EACH PROJECT, ITS ESTIMATED COST FOR THE YEAR CONSTRUCTION IS TO START AND THE ESTIMATED COST OF THE PROJECT ADJUSTED FOR INFLATION OVER THE ESTIMATED PERIOD OF CONSTRUCTION, AND THE SOURCE OF FINANCING FOR THE PROJECT; THE PROJECT DESCRIPTION FOR A NEW BUILDING OR A NEW FACILITY OR FOR A MAJOR ADDITION TO A BUILDING OR FACILITY SHOULD INCLUDE A SITE PLAN, PRELIMINARY DRAWINGS, AND ARCHITECT'S OR ENGINEER'S TOTAL COST ESTIMATE FOR THE PROJECT;

(B) A SUMMARY OF PROJECTS PREVIOUSLY AUTHORIZED AND NOT YET COMPLETED;

(C) A SUMMARY, LISTED BY AGENCY, OF ALL PREVIOUSLY PROPOSED PROJECTS THAT HAVE BEEN DEFERRED BEYOND THE SIX YEARS COVERED BY THE PLAN AND THE YEAR IN WHICH CONSTRUCTION HAS BEEN RESCHEDULED TO BEGIN;

(D) A FORECAST OF THE DEBT STRUCTURE OF THE STATE AND THE VARIOUS DEBT RATIOS OVER THE LIFE OF THE STATE'S BONDS OUTSTANDING, BONDS AUTHORIZED AND TO BE ISSUED, AND BOND AUTHORIZATIONS RECOMMENDED IN THE PLAN;

(E) A DESCRIPTION OF ADDITIONAL REVENUE MEASURES NEEDED TO FINANCE THE PLAN IN LIEU OF DEBT;

(F) BOND ELECTION BILLS TO AUTHORIZE THE BONDS REQUIRED TO FUND THE PROJECTS SCHEDULED FOR THE FIRST THREE YEARS OF THE PLAN;

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(G) PROJECTIONS OF POPULATION OF THE STATE AND ITS REGIONS AND COMMUNITIES;

(H) ECONOMIC DATA AND PROJECTIONS NECESSARY FOR THE EVALUATION OF THE PLAN;

(4) A SUMMARY OF STATE RECEIPTS IN THE LAST TWO FISCAL YEARS [YEAR], A REVISED ESTIMATE FOR THE CURRENT FISCAL YEAR, AND AN ESTIMATE FOR THE SUCCEEDING TWO FISCAL YEARS [YEAR];

(5) A SUMMARY OF EXPENDITURES DURING THE LAST TWO FISCAL YEARS [YEAR], THOSE AUTHORIZED FOR THE CURRENT FISCAL YEAR, AND AN ESTIMATE FOR THE SUCCEEDING TWO FISCAL YEARS [YEAR];

(6) ANY ADDITIONAL INFORMATION WHICH WILL FACILITATE UNDERSTANDING OF THE GOVERNOR'S PROPOSED PROGRAMS AND FINANCIAL PLANS BY THE LEGISLATURE AND THE PUBLIC.

* SEC. 20. AS 37.13.150 IS AMENDED TO READ:

SEC. 37.13.150. CORPORATION BUDGET. THE REVENUE GENERATED BY THE FUND'S INVESTMENTS MUST BE IDENTIFIED AS THE SOURCE OF THE OPERATING BUDGET OF THE CORPORATION IN THE STATE'S OPERATING BUDGET UNDER AS 37.07 (EXECUTIVE BUDGET ACT). THE UNEXPENDED BALANCE OF THE CORPORATION'S BIENNIAL [ANNUAL] OPERATING BUDGET DOES NOT LAPSE AT THE END OF THE FISCAL YEAR BUT SHALL BE TREATED AS INCOME UNDER AS 37.13.140.

* SEC. 21. AS 38.04.020(E) IS AMENDED TO READ:

(E) THE COMMISSIONER SHALL [ANNUALLY] SUBMIT TO THE GOVERNOR AN APPROPRIATION REQUEST FOR FUNDING ESTIMATED TO BE NECESSARY FOR THE NEXT FOUR [TWO] YEARS TO ALLOW

(1) SURVEY AND DISPOSAL OF LAND PROPOSED TO BE MADE

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AVAILABLE FOR HOMESTEAD STAKING, WITH THE GENERAL LOCATION OF THE LAND;

(2) SURVEY AND DISPOSAL OF LAND TO BE OFFERED AS AGRICULTURAL, COMMERCIAL, INDUSTRIAL, OR OTHER USES UNDER AS 38.05.055 OR 38.05.057, WITH THE GENERAL LOCATION OF THE LAND;

(3) THE SURVEY AND DISPOSAL OF LAND PROPOSED TO BE OFFERED AS SUBDIVISIONS, WITH THE GENERAL LOCATION OF THE LAND;

(4) PRELIMINARY FEASIBILITY STUDIES, ENGINEERING DESIGN WORK, RIGHT-OF-WAY ACQUISITION, AND CONSTRUCTION OF ACCESS ROADS AND CAPITAL IMPROVEMENTS REQUIRED BY MUNICIPAL SUBDIVISION ORDINANCE OR REGULATION OF THE PLATTING AUTHORITY;

(5) IDENTIFICATION OF LAND THAT WILL BE PROPOSED FOR DISPOSAL UNDER THIS SUBSECTION IN FUTURE FISCAL YEARS.

* SEC. 22. AS 39.30.050 IS AMENDED TO READ:

SEC. 39.30.050. ADMINISTRATIVE COSTS. THE DEPARTMENT SHALL COLLECT FROM EACH PARTICIPATING POLITICAL SUBDIVISION ITS RESPECTIVE PRO RATA SHARE OF THE EXPENSES INCURRED IN THE ADMINISTRATION OF AS 39.30.010 - 39.30.080. THE AMOUNTS COLLECTED FROM PARTICIPATING POLITICAL SUBDIVISIONS, TOGETHER WITH MONEY APPROPRIATED BY THE STATE FOR COVERING THE STATE'S SHARE OF ADMINISTRATIVE COSTS, SHALL BE DEPOSITED IN AN FICA ADMINISTRATION FUND AND ARE NOT ALLOWABLE TO ANY OTHER PURPOSE. EXPENDITURES FROM THE FICA ADMINISTRATION FUND SHALL BE INCLUDED IN THE GOVERNOR'S BUDGET FOR EACH FISCAL YEAR AND ARE SUBJECT TO APPROPRIATION BY THE LEGISLATURE. AT THE TIME OF PREPARATION OF THE GOVERNOR'S BIENNIAL [ANNUAL] BUDGET THE DEPARTMENT SHALL REVIEW THE FICA ADMINISTRATION FUND

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AND ADJUST THE RATE OF ASSESSMENT ON POLITICAL SUBDIVISIONS SO AS TO PREVENT THE ACCUMULATION OF MORE MONEY THAN IS NEEDED TO ADMINISTER AS 39.30.010 - 39.30.080.

* SEC. 23. AS 41.98.170 IS AMENDED TO READ:

SEC. 41.98.170. FUND CREATED. THERE IS IN THE DEPARTMENT AN OUTDOOR RECREATIONAL, OPEN SPACE, AND HISTORIC PROPERTIES DEVELOPMENT FUND TO BE ADMINISTERED BY THE DIVISION OF PARKS. APPROPRIATIONS OR OTHER MONEY DEPOSITED IN THE FUND SHALL BE UTILIZED BY THE DEPARTMENT TO PAY THE NONFEDERAL SHARE OF COSTS OF PROJECTS WHICH ARE INITIATED BY THE STATE TO ACQUIRE, DEVELOP, OR EXTEND OUTDOOR RECREATION SITES AND FACILITIES AND TO ACQUIRE, PRESERVE, OR PROTECT HISTORIC SITES, BUILDINGS AND MONUMENTS. PLANS FOR EXPENDITURES FROM THE FUND SHALL BE SUBMITTED BY THE GOVERNOR IN ACCORDANCE WITH AS 37.07 (EXECUTIVE BUDGET ACT) AS PART OF THE BIENNIAL [ANNUAL] BUDGET PRESENTATION TO THE LEGISLATURE.

* SEC. 24. AS 43.40.010(I) IS AMENDED TO READ:

(I) WITHIN 30 DAYS AFTER THE LEGISLATURE CONVENES IN EACH SECOND REGULAR SESSION THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES SHALL SUBMIT A BIENNIAL [ANNUAL] BUDGET COVERING ANTICIPATED REVENUES AND THEIR EXPENDITURE, FOR THE CONSIDERATION AND APPROVAL BY THE LEGISLATURE. THE BUDGET SHALL COVER ALL MONEY COLLECTED OR ANTICIPATED TO BE COLLECTED UNDER THIS CHAPTER FOR THE TWO YEARS [YEAR] FOLLOWING THE ADJOURNMENT OF EACH SECOND REGULAR SESSION OF THE LEGISLATURE.

* SEC. 25. AS 43.76.030 IS AMENDED TO READ:

SEC. 43.76.030. ACCOUNTING OF FINANCING RECEIVED AS A RESULT

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OF THE SALMON ENHANCEMENT TAX. A QUALIFIED REGIONAL ASSOCIATION REQUESTING STATE FINANCIAL ASSISTANCE IN ACCORDANCE WITH AS 43.76.-025(c) SHALL SUBMIT AN ANNUAL FINANCIAL REPORT TO THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT ON A FORM PROVIDED BY THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT. THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT MAY, BY REGULATION, REQUIRE THAT A QUALIFIED REGIONAL ASSOCIATION USE A UNIFORM SYSTEM OF ACCOUNTING. A QUALIFIED REGIONAL ASSOCIATION REQUESTING STATE ASSISTANCE SHALL SUBMIT A BIENNIAL [AN ANNUAL] BUDGET TO THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT ON OR BEFORE THE DATE SPECIFIED BY THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT.

* SEC. 26. AS 44.68.250 IS AMENDED TO READ:

SEC. 44.68.250. ADDITIONS AND REPLACEMENTS TO FUND. ADDITIONS TO THE CAPITAL EQUIPMENT, REPLACEMENTS OF CAPITAL EQUIPMENT, OR IMPROVEMENTS PAID FROM THE HIGHWAYS EQUIPMENT WORKING CAPITAL FUND ARE SUBJECT TO [ANNUAL] APPROPRIATION BY THE LEGISLATURE AND MUST BE DETAILED IN THE EXECUTIVE BUDGET.

* SEC. 27. AS 44.83.396(e) IS AMENDED TO READ:

(e) WHEN THE AUTHORITY PERMITS A POWER PROJECT TO BE OPERATED BY A QUALIFIED UTILITY UNDER A CONTRACT OR LEASE, THE AUTHORITY SHALL

(1) REVIEW AND APPROVE THE BIENNIAL [ANNUAL] BUDGET FOR THE OPERATION AND MAINTENANCE OF THE POWER PROJECT; AND

(2) ASSURE THAT THE PROJECT IS BEING OPERATED EFFICIENTLY AND IN A MANNER THAT IS CONSISTENT WITH NATIONAL STANDARDS FOR THE INDUSTRY AND AGREEMENTS WITH BONDHOLDERS.

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- * **SEC. 28. AS 44.85.110 IS AMENDED TO READ:**

SEC. 44.85.110. BIENNIAL [ANNUAL] BUDGET. THE BOND BANK AUTHORITY SHALL PREPARE AND SUBMIT A BIENNIAL [AN ANNUAL] BUDGET UNDER AS 37.07 (EXECUTIVE BUDGET ACT).

- * **SEC. 29. AS 44.99.009(c) IS AMENDED TO READ:**

(c) THE GOVERNOR SHALL SUBMIT AS PART OF THE BIENNIAL [ANNUAL] BUDGET SUBMISSION TO THE LEGISLATURE A COMPLETE PROGRAM BUDGET FOR STATE PARTICIPATION IN THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT OF 1973 (P.L. 93-203) AS AMENDED.

- * **SEC. 30. AS 47.80.090 IS AMENDED TO READ:**

SEC. 47.80.090. RESPONSIBILITIES. THE COUNCIL SHALL

(1) SERVE AS A FORUM BY WHICH ISSUES AND BENEFITS REGARDING CURRENT AND POTENTIAL SERVICES TO DISABLED AND GIFTED PERSONS MAY BE DISCUSSED BY CONSUMER, PUBLIC, PRIVATE, PROFESSIONAL, AND LAY INTERESTS;

(2) ADVOCATE THE NEEDS OF DISABLED AND GIFTED PERSONS BEFORE THE EXECUTIVE AND LEGISLATIVE BRANCHES OF THE STATE GOVERNMENT AND BEFORE THE PUBLIC;

(3) ADVISE THE EXECUTIVE AND LEGISLATIVE BRANCHES OF THE STATE GOVERNMENT AND THE PRIVATE SECTOR ON PROGRAMS AND POLICIES PERTAINING TO CURRENT AND POTENTIAL SERVICES TO DISABLED OR GIFTED PERSONS AND THEIR FAMILIES;

(4) SUBMIT PERIODIC REPORTS TO THE COMMISSIONER OF HEALTH AND SOCIAL SERVICES, THE COMMISSIONER OF EDUCATION AND TO OTHER APPROPRIATE DEPARTMENTS, ON THE EFFECTS OF CURRENT FEDERAL AND STATE PROGRAMS REGARDING SERVICES TO DISABLED OR GIFTED PERSONS;

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THESE REPORTS MUST INCLUDE PROGRAM PERFORMANCE REPORTS TO THE GOVERNOR, THE FEDERAL GOVERNMENT, AND TO STATE AGENCIES AS REQUIRED UNDER 20 U.S.C. 1482 AND 42 U.S.C. 6024;

(5) IN CONJUNCTION WITH THE DEPARTMENTS OF HEALTH AND SOCIAL SERVICES AND EDUCATION, DEVELOP, PREPARE, ADOPT, PERIODICALLY REVIEW, AND REVISE AS NECESSARY AN ANNUAL STATE PLAN PRESCRIBING PROGRAMS WHICH MEET THE NEEDS OF PERSONS WITH DEVELOPMENTAL DISABILITIES AS REQUIRED UNDER 42 U.S.C. 6022;

(6) REVIEW AND COMMENT TO COMMISSIONERS OF STATE DEPARTMENTS ON ALL STATE PLANS AND PROPOSED REGULATIONS RELATING TO PROGRAMS FOR PERSONS WHO ARE EXPERIENCING DISABILITIES BEFORE THE ADOPTION OF A PLAN OR REGULATION; FOR THIS PURPOSE, THE APPROPRIATE DEPARTMENTS SHALL SUBMIT THE PLANS AND PROPOSED REGULATIONS TO THE COUNCIL;

(7) RECOMMEND THE PRIORITIES AND SPECIFICATIONS FOR THE USE OF FUNDS RECEIVED BY THE STATE UNDER 42 U.S.C. 6000 - 6083;

(8) SUBMIT BIENNIALLY [ANNUALLY] TO THE COMMISSIONER OF HEALTH AND SOCIAL SERVICES, THE COMMISSIONER OF EDUCATION, AND THE COMMISSIONER OF COMMUNITY AND REGIONAL AFFAIRS A PROPOSED INTERDEPARTMENTAL PROGRAM BUDGET FOR SERVICES TO DISABLED OR GIFTED PERSONS THAT INCLUDES, INSOFAR AS POSSIBLE, PROJECTED REVENUES AND EXPENDITURES FOR PROGRAMS IMPLEMENTED BY STATE AGENCIES, LOCAL GOVERNMENTAL AGENCIES, AND PRIVATE ORGANIZATIONS; THE INTERDEPARTMENTAL PROGRAM BUDGET IS AN INFORMATIONAL SUPPLEMENT TO THE REGULAR BIENNIAL [ANNUAL] BUDGETARY SUBMISSIONS OF THE DEPARTMENTS TO THE OFFICE OF THE GOVERNOR;

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(9) PROVIDE INFORMATION AND GUIDANCE FOR THE DEVELOPMENT OF APPROPRIATE SPECIAL EDUCATIONAL PROGRAMS AND SERVICES FOR EXCEPTIONAL CHILDREN AS DEFINED IN AS 14.30.350;

(10) MONITOR AND EVALUATE BUDGETS OR OTHER IMPLEMENTATION PLANS AND PROGRAMS FOR DISABLED AND GIFTED PERSONS TO ASSURE NON-DUPLICATION OF SERVICES AND ENCOURAGE EFFICIENT AND COORDINATED USE OF FEDERAL, STATE AND PRIVATE RESOURCES IN THE PROVISION OF SERVICES; MEMBERS OF THE COUNCIL, WITH THE APPROVAL OF THE COUNCIL, HAVE ACCESS TO INFORMATION IN THE POSSESSION OF STATE AGENCIES SUBJECT TO DISCLOSURE RESTRICTIONS IMPOSED BY STATE OR FEDERAL CONFIDENTIALITY OR PRIVACY LAWS;

(11) PERFORM OTHER DUTIES REQUIRED UNDER APPLICABLE FEDERAL LAWS, OR AS 14.30.231, AND AS THE GOVERNOR MAY ASSIGN;

(12) GOVERN THE SPECIAL EDUCATION SERVICE AGENCY AND MAY HIRE PERSONNEL NECESSARY TO OPERATE THE AGENCY; AND

(13) PROVIDE TO THE ALASKA MENTAL HEALTH TRUST AUTHORITY FOR ITS REVIEW AND CONSIDERATION RECOMMENDATIONS CONCERNING THE INTEGRATED COMPREHENSIVE MENTAL HEALTH PROGRAM FOR THE PEOPLE OF THE STATE WHO ARE DESCRIBED IN AS 47.30.056(B) (2) AND THE USE OF THE MONEY IN THE MENTAL HEALTH TRUST INCOME ACCOUNT IN A MANNER CONSISTENT WITH REGULATIONS ADOPTED UNDER AS 47.30.031.

*** SEC. 30. THIS ACT TAKES EFFECT ON THE EFFECTIVE DATE OF AN AMENDMENT TO ART. IX, SEC. 12, OF THE CONSTITUTION OF THE STATE OF ALASKA, PROVIDING FOR A BIENNIAL STATE BUDGET.**

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Harrison

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Forward-Funding

- Docs have some reports

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re: Fwd Funding

per Jean Von Doremus

Bonnie L. Jack
1063 West 20th Avenue
Anchorage, AK 99503-1714
907-279-4836 home/work/fax
December 6, 1994

Gail Phillips
Speaker of the House-elect
PO Box 3304
Homer, AK 99603

Speaker-elect Gail:

First, congratulations!

An article in the *Anchorage Daily News*, November 22, talked of your plans of funding the state's operating budget a year in advance. Fantastic idea! As you might remember, I worked for Joe Hayes (we won't talk about how many years ago that was) when that idea was originally put forth. I supported it then and I certainly support it now. A few other states forward funded their budgets, if I remember correctly. (At least back then.) I don't remember which ones, but House Research could find out.

The *News* quoted various people as to why the idea won't work. The *Alaska Journal of Commerce's* editorial in the December 5 issue was only warm support for your idea. Don't let them get you down. This is probably the last year the idea could work unless the Permanent Fund were used.

What can I do to help promote this? As you might know, I produce, with oversight from the board, the Alaska Women's Political Caucus newsletter and probably will be producing a joint newsletter of the Anchorage Republican Women's Club and RAP&BW (if we decide to continue). Please keep me informed so these two publications can be used to support this idea and the readers can not only be informed but be called to action when need be. The AWPC newsletter is mailed to approximately 500 women statewide, including the media and, although I'm not sure, I think the Republican Women's Club newsletter is mailed to about 250 women, mostly in Anchorage; I don't know if the media receives a copy.

Again, a great idea that has reached its time. And, congratulations.



FORWARD FUNDING

Forward funding has been proposed and debated in Alaska state government for the better part of fifteen years. Its attractiveness - - in terms of the certainty it would add to the budgeting process - - is widely recognized and accepted.

Nevertheless, proposals to adopt cash-based budgeting generally have foundered on the question of whether the gain in budgeting certainty is worth the opportunity cost of the revenue that must be diverted to achieve that certainty.

Surrounding the debate also has been the largely unaddressed but relevant question of whether budgeting certainty and fiscal stability can be equally or better achieved through the use of reserve funds, spending limits, and other such fiscal mechanisms.

KEY POINTS

- The term "forward funding" means different things to different people. As used here, it refers to a system whereby the budget for a coming fiscal year is based on an amount of cash already on hand at the time that those budgeting decisions are being made - - i.e., it refers to a "*cash-based budgeting*" system.

In this regard, it is different from such budgeting approaches as "*fast track budgeting*" and "*biennial budgeting*".¹

- Cash-based budgeting would not, in itself, stabilize the amount of revenue that the State receives from one year to the next. Rather, it would enable policy makers to know, with a high degree of certainty,² and at the time that budgeting decisions were being made for a coming year, just how much money was already on hand for that coming year's budget.

In this regard, a cash-based budgeting fund would serve as - - and be functionally indistinguishable from - - a reserve fund.³ The chief difference would be that, being essentially a dedicated reserve fund, its flexibility of use would be limited.

¹ "Fast track" budgeting refers to the practice of establishing a funding level for one or more categories of the budget (e.g., education) before establishing a funding level for the budget as a whole. "Biennial" (or similar) budgeting refers to a system whereby budget funding levels are set for more than one year at a time. Under either approach, the budgeting can be based either on cash on hand, or on the level of revenues expected during the year(s) being budgeted.

² It would still be necessary to project the amount of revenue likely to be received between the time the Legislature was meeting and the end of the current fiscal year. Such remaining-months projections, however - - e.g., as contained in the annual March revenue forecast - - generally turn out to have been within 3% or less of the amount actually received through June 30.

³ That is: (1) it would represent a pot of money that could be used (either alone, or in combination with future or other current sources of revenue) to eliminate or reduce the risk of funding shortfalls caused by unexpected changes in revenue receipts; and, (2) it could serve as a mechanism for providing the State with lag time to react to known changes in fiscal outlook.

- Cash-based budgeting also would not, in itself, lead to reductions in state government spending. If revenue receipts were to increase, the amount available for budgeting also would increase. Only the timing would change. In fact, it is only the coupling of cash-based budgeting with a spending limit that would impose any spending discipline - - and it is not clear whether, in fact, there would be any difference in spending discipline under a forward funding regime with a spending limit as opposed to under the current (prospective-revenues) budgeting regime; or, whether a binding spending limit would function better (or even differently) under a cash-based funding regime.
- Using reserve funds to establish a cash-based funding system would reduce the effectiveness and potential utility of those funds. Specifically, devoting one or two billion dollars from existing reserve balances⁴ to finance a cash-based budgeting system would:
 - dramatically reduce the effectiveness of those reserves as a "buffer" or "cushion" for dealing with any future revenue shortfalls; and,
 - also would reduce the availability of current reserve funds as a funding source for financing other potential uses - - e.g., to underwrite program investments in other areas, such as an economic development agenda.
- Putting only part of the operating budget (e.g., 1-2 programs) on a cash-based budgeting basis could prove confusing and complicate development and legislative passage of the budget - - e.g., preparation of annual spending plans, treatment of supplemental appropriations, receipt of federal funds, etc.

⁴ It would take roughly one year's worth of operating budget revenue to finance a full conversion to cash-based budgeting.