

HJR

2

CORRECTION

Discard HJR 2

and retain this corrected version.

ALASKA STATE LEGISLATURE

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LABOR AND COMMERCE

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COMMUNITY AND REGIONAL AFFAIRS
LEGISLATIVE COUNCIL
JOINT ARMED SERVICES



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Sponsor Statement

HJR 2

“Proposing amendments to the Constitution of the State of Alaska relating to the duration of regular sessions of the legislature and to a biennial state budget.”

In an effort to promote efficiency and effectiveness in state government, I have introduced HJR2. HJR2 proposes amendments to the Constitution of the State of Alaska relating to a biennial state budget. In the first year of a two-year legislative session the Governor would propose and the Legislature would adopt a budget for the next two fiscal years. The second year of the session would be freed up for other legislation and be limited to 60 consecutive days.

As it currently stands, the state budget process is a tedious annual event. This process involves hearings, debates, and closeouts with considerable time spent by the various departments drafting their budgets. Once the agencies have prepared a budget, they must defend and revise, with little time for actual implementation before they start all over again preparing for the next year. A biennial budget would allow agencies to devise their budgets for two fiscal years, giving more time to implement the budget and allow for advanced planning initiatives. This would result in cost efficiencies and greater productivity overall.

With a biennial budget, the “off-year” would then be focused on legislative issues and priorities other than the budget. The off-year length of the session could be significantly reduced from 120 days to just 60 days and be a further cost savings to the state. It should be noted that HJR2 does not limit other legislation to just the off-year, it would be business as usual with the exception that the budget would be tackled during the first year.

As a resource state, we recognize that Alaska’s annual revenue is a moving target. HJR2 responds to this by allowing for a supplemental budget during the off year as needed, without going through the expense and hassle of a full budget review.

Each year the idea of smaller, smarter government is addressed by the legislature and each year more concepts have been considered and adopted. With a move toward privatization, results-based government, and consolidation of services, we are making progress in that direction. Passage of HJR2 would continue that success.

Alaska Support Industry

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THE ALLIANCE

... for responsible development of Alaska's Oil, Gas & Mineral Resources

January 25, 2001

Representative Lisa Murkowski
Alaska State Legislature
State Capitol
Juneau, AK 99801

RE: House Joint Resolution 2, Biennial State Budget

Dear Representative Murkowski:

I understand that HJR 2 is on the agenda for discussion in the House State Affairs Committee. On behalf of the Alaska Support Industry Alliance (The Alliance) I'd like to offer the following comments in support of this House Joint Resolution.

The Alliance is a statewide, non-profit trade organization representing over 350 businesses, organizations and individuals that provide goods and services in support of oil and gas exploration, development and production. Collectively our members employ 29,000 people; 25,000 of those are permanent residents of the state.

Since its inception in 1979, The Alliance has advocated a balanced state budget. We believe state government should do business like a business and investigate new ideas that would allow the public sector to do more with less – be more efficient and effective in planning and executing our state budget and budget process. Budgetary efficiency would send a message to potential investors that Alaska has a solid and sound fiscal plan, and that its “house is in order – a good place to do business.”

Specifically, The Alliance believes that a two-year budget cycle could result in the following:

- An opportunity for more effective agency planning. A biennial budget would be conducive to developing proactive spending habits instead of reactive spending dialogue.
- The opportunity to analyze state programs based on performance and results, prior to yearly budget appropriations.

- The potential for a shortened legislative session. The budget typically takes an enormous amount of time to hammer out. By undergoing the full process every other year, we could save state dollars and resources.
- Greater utilization of all our legislators and their expertise. Traditionally, the Senate and House Finance committees are made up of the more senior members of each body. The House Finance Committee members serve on no other committee. In many cases, we are missing their valuable input, wisdom and vast experience in creating other critical legislation. A two-year process would afford all legislators time to focus their attentions – one year on budget, the next on legislation.
- Flexibility to address emergency needs or supplementary requirements. A biennial budget process would not preclude supplemental budget considerations due to circumstances of need. These could be addressed on a case-by-case basis.

Twenty states have already adopted a biennial budget process. That's a good indication that other states are "thinking outside of the box." We believe that Alaskan must also embrace new ways of thinking, and for this reason, we encourage the legislature to continue dialogue on the biennial budget process.

The Alliance further believes that *all measures* should be *considered with an open mind*, whether it be results-based budgeting, consolidation of government programs, elimination of non-essential services, use of a two-year budget cycle, and/or privatization of some government functions. Ultimately our goal must be to begin to live within our means.

Sincerely,



Larry J. Houle
General Manager



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907)586-1325, Fax (907)-463-5480

February 13, 2001

Representative Lisa Murkowski
State Capitol
Juneau, AK 99811

Dear Representative Murkowski,

Re: **Support of State biennial budget**

The members of the Alaska Municipal League and the Alaska Conference of Mayors voted in November, 2000 to support a state biennial budget as part of our top legislative priority to "adopt a long-range fiscal plan." (See attached AML/ACoM Legislative Platform)

HJR 2 that proposes voter consideration of a constitutional amendment to adopt a **biennial budget** and reduce the length of the legislative session to 60 days in non-budget years. This appears to be a reasonable approach. According to the National League of Cities, western states with populations and economies similar to Alaska (North Dakota, South Dakota, Wyoming) all have biennial budgets with shorter sessions in non-budget years. South Dakota, and Wyoming have 40-day legislative sessions in budget years, with 35/20 day sessions respectively in non-budget years. The North Dakota legislature can meet a maximum of 80 days over two years and can allocate the time between the years as needed.

While Alaska's major revenue source is volatile, the purpose of a long-range fiscal plan is to create more stability. Therefore, a biennial budget may add to stability of services while allowing for annual modifications as necessary.

Juneau is in its third cycle of biennial budgeting. Craig Duncan, Finance Director, spoke highly of time savings, and acceptance by the assembly. The assembly still has the ability to fine tune the budget each year, or make major changes if necessary.

Sincerely,


Kevin Ritchie
Executive Director

Cc: AML Board of Directors and Legislative Committee

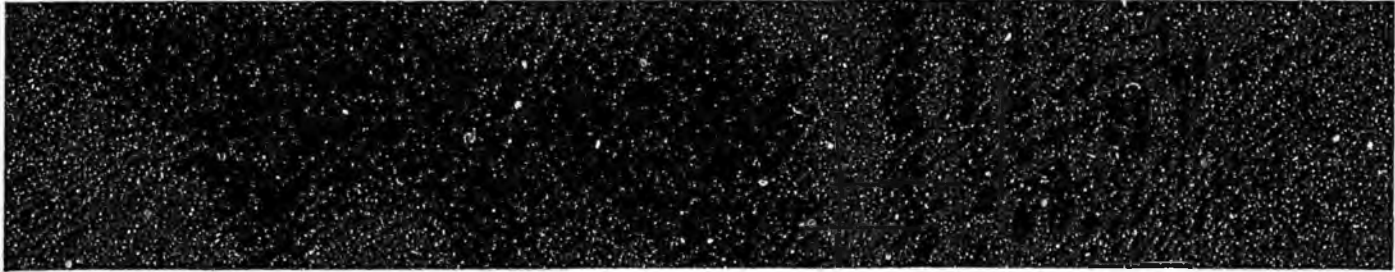
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2001

STATE LEGISLATIVE PRIORITIES

1. Urge the Legislature to adopt a **state long-range fiscal plan** that considers the direct and indirect impacts on municipal services and local taxes. A long-range fiscal plan should include:
 - A biennial state budget, and
 - Preservation of local control of sales tax.
2. As specifically required by the Alaska Constitution and interpreted by the Alaska Supreme Court, the Legislature must **increase per student state education spending** to meet increased costs necessary to provide an adequate education for all Alaskan children.
3. As a key component of a state long-range fiscal plan to stabilize local taxes, the Governor and Legislature are urged to **restore \$50 million to communities** through the existing revenue sharing programs, or create a voter-approved **categorical Community Dividend Program** for public safety, roads, and other key local services.
4. Provide adequate operation and maintenance funding for existing, as well as new surface, air, and marine transportation infrastructure.
5. Continue funding for ongoing state and local **deferred maintenance** of roads, schools, and other public improvements through bonding and other funding mechanisms.
6. State support for an **Alaska Local Government Summit**, to include state, municipal and tribal governments, to determine if state policies on local government are consistent with the intent of the Alaska Constitution and if improvements are warranted.





Fiscal Affairs Program

Annual And Biennial Budgeting

The Experience Of State Governments

Ronald K. Snell, National Conference of State Legislatures

February 2000 (updated November 2000)

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Introduction

The trend among state governments for the past 50 years has been to abandon biennial budgeting for annual budgeting. Forty-four states practiced biennial budgeting in 1940. Twenty-one do so now. There were several reasons for the shift to annual budgeting, but in general the shift has been part of the resurgence of state legislative power since the middle of the century. In the past decade, however, two states have returned to biennial budgeting from annual budgeting, and no state has shifted from biennial to annual budgeting.

The growing role in legislatures in state government can be measured by the shift from biennial to annual legislative session. In 1940 only four state legislatures held annual sessions; now 43 do so. A shift to annual budgeting tended to follow the move to annual sessions, as state budgets became larger and more complicated and as federal grant-in-aid programs to state and local governments

became increasingly prominent in the 1960s and 1970s. At the same time, state finances became more dependent upon personal income and sales taxes, enlarging the revenue stream and making it somewhat less stable than in the past, adding another reason for adoption of annual budgets.

State changes have not moved in only one direction. Connecticut returned to biennial budgeting in 1991, reversing the decision it made to go to annual budgeting when the state shifted to annual legislative sessions in 1971. Arizona made a gradual transition from annual to biennial budgeting in the course of the 1990s, and completed the process with the enactment of a biennial budget in 1999. Kansas provides smaller agencies with biennial budgets and larger agencies with annual budgets, a practice Arizona used in the mid-1990s. A few states have moved from annual to biennial budgeting over the past 20 years or have changed back and forth, because of partisan politics, uncertainty as to which worked better, or both. As this report will show, state experience does not make a clear case for the superiority of either biennial or annual budgeting over the other.

True biennial budgeting--enactment of a consolidated two-year budget--occurs only in three states--Oregon, North Dakota, and Wyoming (table 1). Oregon and North Dakota have biennial legislatures as well--they meet in regular session only once in two years. Although the Wyoming legislature meets annually, in the non-budget year its session is scheduled for only 20 days.

Except for those three, the practice is for biennial budgeting states to enact separate budgets for two fiscal years at once. Since most of the states that do this have annual legislative sessions in which they can and do revisit the budget, table 1 may overstate the extent of true biennial budgeting.

As already noted, the long term trend has been for states to move to annual budgeting. Biennial budgets are more likely to be found in the less populous states, as are biennial legislatures. Among the 10 largest states--whether measured by population or by legislative appropriations--only Ohio and Texas use biennial budgets, and only Texas has regular biennial sessions of the legislature.

Annual Session Annual Budget (29 States)	Annual Session Biennial Budget (15 States)	Biennial Session Biennial Budget (6 States)
Alabama	Arizona	Arkansas
Alaska	Connecticut	Montana
California	Hawaii	Nevada
Colorado	Indiana	North Dakota*
Delaware	Kentucky	Oregon*
Florida	Maine	Texas
Georgia	Minnesota	
Idaho	Nebraska	
Illinois	New Hampshire	
Iowa	North Carolina	
Kansas	Ohio	
Louisiana	Virginia	
Maryland	Washington	
Massachusetts	Wisconsin	
Michigan	Wyoming*	
Mississippi		
Missouri		
New Jersey		
New Mexico		
New York		
Oklahoma		

Oklahoma Pennsylvania Rhode Island South Carolina South Dakota Tennessee Utah Vermont West Virginia		
Biennial budget states that enact a consolidated two-year budget. Other biennial budgets enact two annual budgets at one time.		
Population estimates are for 2000.		

These are the other issues this report examines:

1. Significant differences of budget administration between states with annual and biennial budgets.
2. Advantages and disadvantages of a biennial budget cycle.
3. The consequences of a biennial budget cycle for predictability and planning certainty for executive branch agencies and legislative committees.
4. The ability of governors and legislatures to respond to changing events and changing budget priorities.
5. The likelihood and consequences of increasing reliance upon supplemental appropriations in a biennial budget cycle.
6. The contention that biennial-budget states spend more money than annual-budget states.

1. Significant differences or variations among the states utilizing a biennial budget process.

Biennial and annual budgets do not seem to cause significant differences in budgeting practices among the states, although state practices vary so widely for reasons of politics and history that it is difficult to single out any one reason for differences in practice.

There does not appear to be any consistent relationship between state budget and legislative cycles and the powers governors have to cut budgets or transfer funds between agencies or programs. A governor's power to reduce budgets or make transfers varies greatly from state to state, but it does not appear to be consistently greater in states with biennial budgets or legislative sessions than in other states.

Arkansas, for example, which has a biennial legislature and budget, imposes strict limits on the governor's power to transfer funds among programs in an agency appropriation, denies the power to transfer funds among agencies, and limits the governor's power to cut the budget with provisions that are enacted in the budget itself. Despite the biennial legislative sessions, the legislature preserves a significant amount of control over changes in the budget when it is not in session. This is no different in its effect from the practice in the annual-budget state of Tennessee, where the constitution encourages the governor to call a special session of the legislature if budget cuts are needed, and where transfers are similarly limited.

Some states with annual legislatures and budgets provide governors with remarkably broad administrative authority over the budget. Iowa, Indiana, South Carolina, and South Dakota allow their governors unlimited power to transfer funds among state agencies. Ten of the states with annual legislative sessions allow their governors to reduce budgets by unlimited amounts to cope with revenue shortfalls. Only five of the 20 states with biennial budgets give their governors as much power to reduce spending. Thus the budget cycle in itself does not appear either to create a need for strong executive budget review powers or to prevent the need for them.

2. Advantages and disadvantages of a biennial budget cycle.

There is little evidence of clear advantages of either annual or biennial state budgeting practices. These are the findings of two major studies. In 1972, the Council of State Governments examined the issue, a favorable time for doing so since states' experience in shifting from biennial to annual budgeting was recent enough to allow comparisons of biennial and annual budgeting within some states. No clear findings emerged, and the study concluded that:

In reality, a State can develop a good system of executive and legislative fiscal and program planning and controls under either an annual or biennial budget. The system would work differently with the alternative timespans, but could be effective under either approach.

Analysts at Texas A & M University reviewed the CSG study in the course of their own examination of annual and biennial budgeting in 1984, and came to the same conclusions:

The arguments used to justify and refute both annual and biennial budgets remain essentially unchanged [since 1972]-and unproven. The success of a budget cycle seems to depend on the commitment of state officials to good implementation rather than on the method itself.

Major advantages of biennial budgeting are said to be that it is conducive to long-term planning; that it allows more time for program review and evaluation; and that the process itself is less expensive and time-consuming than that of annual budgeting.

Long-term planning. Many states, like the federal government, carry out long-term planning efforts that are independent of their budget cycle, but there is no evidence that biennial budgeting particularly favors those efforts. Evidence from states which have changed from annual to biennial budgeting over the past 30 years fails to provide strong support for the contention that biennial budgeting is conducive to long-term planning. The Council of State Governments' 1972 study of eight states produced such conflicting evidence that it could neither confirm nor reject the idea. An in-depth study of five states carried out by faculty of Texas A&M University in 1984 was also inconclusive on the point, as is the study done by the General Accounting Office in 1987. Analysts in Connecticut, however, emphasize that the governor and legislature have greatly increased their long-term budget forecasting and analysis since the state adopted a biennial budget in 1991.

Program Review and Evaluation. A strong argument for biennial budgeting is that it allows more time for performance evaluation, and thus can encourage administrators and legislators to move in the direction of outcome-focused budgeting rather than continue to focus on budget controls. This was one of the principal arguments that led Connecticut to return to biennial budgeting. Proponents contended that, "The present system (of annual budgeting) does not allow enough time to review expenditures in depth. Those preparing the budget finish one year and then immediately plunge into the next year's budget."

It is not clear that Connecticut's experience has lived up to this goal, since budget revision and consideration of new programs has, according to participants, taken up about as much time in the non-budget years as writing a budget does in the budget sessions. Analysts

in two other biennial budget states--Ohio and Oregon--emphasize that their budget cycles facilitate policy consideration and reflection. Oregon's biennial legislative schedule provides time for interim study committees to undertake major projects in the absence of a legislative session.

Comparisons between states are very difficult, however, and many legislatures with annual budgets carry out sophisticated program and performance review through specialized staff agencies with legislative oversight. Although it seems intuitively certain that biennial budgeting encourages legislative performance review and evaluation, there is probably no way to prove that the opportunity is more beneficial than the existence of a strong performance evaluation effort in an annual-budget

state.

Budgeting costs. Biennial budgeting may reduce executive branch costs of preparing budgets, since the process is consolidated in comparison with annual budgeting. State experience appears to bear this out, according to the studies cited in the notes on the previous page. Annual budgets certainly create greater pressures on all budget staff and policy makers than biennial budgets, since in many states preliminary work on the next fiscal year's budget is simultaneous with beginning the implementation of the current budget and wrapping up the previous fiscal year's budget.

Economic and fiscal circumstances probably have more to do with a state's rigorous review of its fiscal priorities than its budget cycle does. For example, in the early 1990s many states discovered serious shortfalls in the middle of a fiscal year. They reviewed earlier budget commitments, considered cuts and revenue increases, revised spending priorities, and in effect wrote new budgets. This was primarily an executive activity in some states, and in others there was the usual budget process of executive recommendations and legislative enactments.

In years when political leadership and economic circumstances are unchanged, budget processes can be fairly routine, regardless of whether an annual or a biennial budget is being written. Conversely, appropriations for the second year of a biennium are not secure if economic conditions have altered for the worse.

3. The consequences of a biennial budget cycle for predictability and planning certainty for executive branch agencies and legislative committees.

It is obviously more difficult to project revenues and expenditures accurately for a biennium (requiring forecasts of events 30 months away) than for an annual budget (requiring forecasts for 18 months). Accurate forecasting is important for state governments, partly because of the focus on balancing resources and spending and partly because inaccurate forecasts attract political attacks. As one would expect, the consensus is that forecasting is more accurate in states with annual budgets. Accuracy in forecasting, in turn, reduces the need for special sessions of the legislature, supplemental appropriations, and reserves.

Biennial budgeting represents a commitment of policy direction and funding amounts for a longer period than annual budgeting; it also means that agency personnel have to spend less time in budget planning and presentations than under a system of annual budgeting. Does this mean more predictability and certainty of planning for them and for legislative committees, in matters other than total revenue and expenditure forecasts? The answer to that question is generally yes, but the increase in the certainty of policy and funding commitment may in fact be small.

State governments tend to budget incrementally, which means in effect that budgeting for the coming period, whether annual or biennial, begins with the current level of expenditures and tends to divide up any additional resources largely in proportion to the size of program budgets in the past. In the absence of dramatic economic change, state budgets rarely impose dramatic changes in agency budgets.

Predictability tends to continue under both kinds of budgeting cycle because state budgeting is incremental in nature. Between 60 percent and 70 percent of most states' general fund appropriations are for elementary, secondary and higher education, health care programs, other entitlement programs, and corrections. Such programs are not susceptible to sweeping changes in funding levels or program redesign. Predictability and stability characterize them regardless of the budget cycle.

Economic cycles can make state budgets uncertain and unstable. Seventy percent of state tax revenue comes from sales and income taxes, which are very sensitive to the health of the economy. The boom of the 1980s affected annual and biennial states alike: they prospered and expanded their budgets. The recession of 1990 and the slow recovery have had unsettling effects on states regardless of the length of their budget cycles. State experience suggests that nothing they can do about the length of their budget cycles can isolate them from external factors such as the condition of the economy and

federal mandates.

4. The ability of governors and legislatures to respond to changing events and changing budget priorities.

State governments have developed mechanisms to deal with unexpected fiscal and policy events-constitutional and statutory provisions to allow for transfers of revenue among programs with departments, rainy day funds, the reduction of expenditures when legislatures are not in session, and the use of unanticipated grants from the federal government. The National Conference of State Legislatures recently published a study of the solutions states have found to such problems. This report has discussed some of them already in making the point that there does not appear to be greater executive authority over state budget administration in states with biennial budgets than in states with annual budgets.

State balanced-budget requirements require prompt action when revenues fall short of projections. Fifteen states give their governors full authority to cut the budget when there is a revenue shortfall. Very few prohibit the governor from making any spending cuts. California, which has a full-time legislature, prohibits the governor from making such cuts, but that is exceptional.

Most states take a middle way. They give the governor limited authority to make cuts and require the legislature to act when circumstances require more extensive action than the governor has authority to take. Maryland, for example, allows the governor to cut any line-item appropriation by as much as 25 percent. Connecticut and Kentucky limit such cuts to 5 percent. In Oklahoma, the governor's cuts must affect all appropriations equally, meaning that elementary education funding must be cut along with programs where cuts would produce less of a public outcry. This provision tends to bring the legislature into the picture when cuts have to be made.

When constitutional and statutory provisions do not cover a problem, a special legislative session is necessary. Partly because of fiscal difficulties, legislatures in 31 states held more than 50 special sessions in 1991. But legislative reapportionment and education reform were as likely to be the cause of special sessions as the recession was. Reforming the state school funding formula required Texas to hold three special sessions in 1989 and four in 1990. Overall, states with biennial legislatures appear to have had no more special sessions than states with annual, part-time legislatures in the four years beginning with 1988 and ending in 1991.

5. The likelihood and consequences of increasing reliance upon supplemental appropriations in a biennial budget cycle.

According to older studies of state decisions to shift to annual budgeting from biennial budgeting, supplemental appropriations became less common after the shift. But in recent years supplemental appropriations have been common in all states-not just those with biennial budgets-because of the unpredictable changes in the national economy and because of cost overruns in Medicaid programs.

In the late 1980s and early 1990s, many state budgets were hit by revenue shortfalls and expenditure overruns. The former tended to occur in the three largest state tax sources-the general sales tax, personal income taxes, and corporate income taxes where a small error of estimate can create a significant dollar shortfall. Overruns occurred largely in Medicaid programs, to a less extent in other entitlement programs, and to a small extent in elementary education and corrections.

Annual legislative sessions and annual budgets provide for reasonably timely responses to such issues and insure that requests for supplemental appropriations will be reviewed in the context of the entire state budget. States where annual legislative sessions review biennial budgets for the off year also can put supplemental requests into perspective. In either case, consideration of supplemental appropriations is often as difficult and time-consuming as consideration of an original departmental budget, and, by focusing attention on a few agencies, is likely to bring entire departmental budgets back into the political arena.

The extent to which budgets are actually revised for the second year of a biennium varies from state to state and from time to time, largely depending on economic and fiscal conditions. Connecticut's experience has been that budget revisions and adjustments to account for new programs cause off-year budget revision to be about as time-consuming as creation of the full budget. Ohio's experience has been the opposite: except for the regularly scheduled enactment of a capital budget in the off-year, the biennial budget usually receives a minimum of adjustment and the adjustments are not time-consuming.

6. The contention that biennial-budget states spend more money than annual-budget states.

The possibility that biennial budgeting results in lower state budgets than annual budgeting was raised and rejected in NCSL's earlier study of annual and biennial budgeting. One careful student of the issues has recently reopened the question, and failed to find strong evidence on either side of the issue. She has, however, argued on the basis of multiple regression analysis that states with annual budgets are likely to spend less per capita than states with biennial budgets. Since her research does not appear to correct for the fact that some states are responsible for a much greater share of total state and local government expenditures than other states, the question has to remain open.

Conclusion

There is little evidence that either annual or biennial state budgets hold clear advantages over the other. Evidence from the past is inconclusive on the question whether biennial budgeting is more conducive to long-term planning than annual budgeting is. Some evidence indicates that biennial budgeting is more conducive to program review and evaluation. Biennial budgeting is likely somewhat to reduce budgeting costs for executive agencies, but it also is likely to reduce legislators' familiarity with budgets. States with biennial budgets and biennial legislative sessions do not appear to have given greater authority over budget revision to governors than other states have. Forecasting is likely to prove more accurate in annual-budget states than in biennial-budget states, reducing the need for supplemental appropriations and special legislative sessions.

In the short run, economic conditions largely determine how efficiently a state budget is enacted and whether it requires extensive change in the course of administration. In the long run, the political expectation that state operations budgets will be balanced annually or biennially is one of the basic controlling elements of state budgeting, far more important than the length of the budget period or the frequency of legislative sessions.

Notes:

The author is indebted to Steven D. Gold and Harold Hovey for their suggestions for revising an earlier version of this report. This paper benefits from the research presented in Barbara Yondorf, "Annual versus Biennial Budgeting: The Arguments, the Evidence: A Presentation to the Wisconsin Assembly Ways and Means Committee, January 26, 1987," (Denver, Colo.: National Conference of State Legislatures, 1987).

These states have changed their budget cycles since 1968.

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JUNEAU EMPIRE

The Voice of Alaska's Capital City

Seeking shorter sessions

■ Bills to limit Legislature pass
House and Senate committees

By CATHY BROWN

Lawmakers are trying to shorten the amount of time they spend in Juneau.

Rather than debate the budget every year, the Legislature would set two-year spending plans under a proposal approved Friday by the House Judiciary Committee. Under the proposal, legislative sessions would be shortened from 120 to 60 days during non-budget years.

A Senate proposal to shorten the Legislature's annual session from 121 days to 75 days without altering the budget process, also passed its first committee Friday with little difficulty.

The House constitutional amendment providing for a biennial budget is sponsored by Rep. Gail Phillips, a Homer Republican. She said the change in budgeting should make state government more efficient and effective, and could save money.

"Where it would make a significant impact is with the agencies," Phillips said. Instead of spending three or four months every year working on their budgets, "they would be able to become far more productive in the program they're putting into place."

If revenues changed dramatically during a "off-year," the Legislature still could make changes during those years, Phillips said.

The measure received support from the five members of the Judiciary Committee present. The governor also supports it, according to Jack Farnoll, a senior policy analyst with the Office of Management and Budget.

Rep. Eric Croft, an Anchorage Democrat, said in addition to possible savings for the state government, the change would save money and time for other Alaskans who come to Juneau every year to lobby on budget issues.

"It seems like there's just a societal savings," Croft said.

Rep. Norm Rokeburg, an Anchorage Republican, has opposed the change to biennial budgeting in the past, but he supported the proposal Friday.

Several issues troubled him in the past, he said. One was the fact that Alaska's budget is so dependent on oil revenues, which can fluctuate widely from year to year. Another concern was that setting the budget for two years instead of one, loosens the Legislature's control on the



SEANNA O'SULLIVAN/THE ASSOCIATED PRESS

No objection: Sen. Dave Donley, an Anchorage Republican, shrugs at what the Senate Judiciary Committee all agreed was a workable idea to limit the legislative session to 75 days as Sens. John Torgerson, center, a Kasilof Republican, and Robin Taylor, a Wrangell Republican, look on.

Short...

Continued from Page A1

"We're in a certain sense giving up... legislative power," he said.

Rokeburg said he decided to support this proposal because he believes a long-term fiscal plan will be adopted within a few years, which will provide more year-to-year stability in income.

Also, he likes the idea of limiting legislative sessions during non-budget years to 60 days and he believes agencies will operate more effectively with two-year budgets.

If approved by both the House and Senate, the constitutional amendment would go to voters this fall.

The Senate proposal by Sen. Sean Parnell, an Anchorage Republican, is also in the form of a constitutional amendment. He said a 75-day session will save the state money and entice more candidates to run for the Legislature.

"The legislative process can expand to fill whatever time we give it," Parnell said, adding that the Legislative Affairs Agency has estimated the state would save more than \$2 million on the change.

The Legislature now convenes in January and meets until mid-May. Parnell's measure would push opening day to late February.

The measure drew little dissent from the three members of the Senate Judiciary Committee present on Friday. Chairman Robin Taylor, a Wrangell Republican, suggested that the starting date might be moved back to January to accommodate lawmakers who work in seasonal industries such as fishing.

"I think the deader part of winter is better," Taylor said.

Parnell said he was concerned that might give legislative budget-writers less time to work after the Department of Revenue issues its annual spring revenue forecast.

Sen. John Torgerson, a Kasilof Republican who co-chairs the Senate Finance Committee with Parnell, called the proposal "very workable" but observed that some lawmakers might find themselves

working more in the interim between sessions.

"I'm not sure the amount of work is going to change," said Torgerson, R-Kasilof.

Rick Urion, a former member of the Legislature who now works as a lobbyist, testified in favor of the measure.

"The Legislature is sort of like water. It will occupy whatever space you give it," Urion said. "If you could harness the wasted energy in this building, you could light the state for the year."

Urion served before 121-day limit was imposed in 1984.

♦♦♦♦

The Associated Press contributed to this report.

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Anchorage Daily News

Saturday, January 22, 2000

2-year budget backed

Plan could save state thousands

By DAN JOLING
The Associated Press

JUNEAU - Shifting to a two-year budget plan would save state money and allow the Legislature to meet for shorter sessions, the sponsor of a constitutional amendment said Friday.

Rep. Gail Phillips, R-Homer, told the House Judiciary Committee that her measure would save thousands of dollars in agency staff time now taken up by annual budget preparations. The measure would also save money by shortening legislative sessions to 60 days in years when the budget is not taken up.

"It gives a far greater efficiency and effectiveness in our budget, and it saves us money," Phillips said.

Judiciary Committee members agreed and voted unanimously to approve the measure. Phillips said estimates of actual savings are being researched and will be reported when the bill is taken up by the House Finance Committee.

Under the plan, two-year budgets would be considered by legislators in the first year after an election. Other bills could be considered in either year, but any measure approved the second year that spends money would have to wait to be implemented until the next budget cycle, Phillips said.

The former House speaker said the second session of the Legislature could be shortened considerably if lawmakers had no budget matters to consider. But the real savings in state government would come through greater productivity by agency personnel who would not have to prepare budgets and defend them before lawmakers every year.

"They can do real planning and have the time to spend on programs," Phillips said.

Rep. Norm Rokeberg, R-Anchorage, agreed.

"The administration spends so much time budget-building, they can't

get their work done," Rokeberg said. "That may be the singular thing that swings my vote."

Jack Fagnoli of the governor's Office of Management and Budget said the governor supports the notion of a biennial budget.

During off-budget years in other states, Fagnoli said, lawmakers are free to focus on pressing issues like rural economic development or welfare reform.

In response to a question from Rokeberg, Fagnoli said he could not say whether the change would mean a reduction in personnel, but savings could be achieved by a reduction in travel and overtime.

In the case of a major downswing in the amount of projected revenue, Phillips said, legislators could take up the budget again to make adjustments. But even that would be less time-consuming, she said, because departments could be reduced by percentages.

"You wouldn't have to go through the whole budget process," she said.

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Voice of The Times

The Anchorage Times

Publisher: BILL J. ALLEN

"Believing in Alaska, putting Alaska first"

Editors: DENNIS RADLEY, PAUL JENKINS, WILLIAM J. TOBIN

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Every two years

THE IDEA IS not new. It's been kicked around time and time again. Unfortunately, it's still being kicked around — in not the best sense of the phrase. Too bad. The subject: adopting the state budget on a two-year basis.

Since statehood, Alaska's spending plan has been proposed by the governor and adopted by the Legislature on an annual schedule. Each year, the Legislature spends an uncommon amount of time fussing with the budget — four months each year, as a matter of fact.

One of the first bills presented at the opening of each legislative session is the budget. One of the last bills passed at the end of every four-month lawmaking session is the budget.

All kinds of other legislation is log-jammed until it is known how various bills will dovetail with the spending proposals. In many ways, the session is dragged out to a full one-third of the year because — and only because — the budget stands as a red light, stopping other progress.

Over the years, various attempts have been made in the Legislature to change this by providing for enactment of a budget that would span a two-year period, instead of one. Each time, the proposal has sunk like a rock in a stormy sea.

The arguments against it are never very good, mostly centering on the contention that it's impossible to look two years ahead and see what the state's income and spending needs might be.

That's specious. Any number of other states — big states, with spending budgets much larger than Alaska's — do biennial budgets. It is by far the most efficient way to keep the decks clear for consideration of other legislation.

In fact, some states provide that every other year, the budget — and related financial legislation — is the only topic that can be considered. The agenda for the alternate years then is open to full consideration of other matters and other issues, free of having to link everything to new spending proposals.

In territorial days, when the Alaska Legislature met only every other year, the budget did indeed cover a 24-month period. Ah, but say the diehards, Alaska was a much smaller place then — with fewer people to serve, fewer issues to handle.

True, but so what? If other states can efficiently manage their financial affairs in this fashion, why can't Alaska? There would be nothing to prevent the Legislature from dealing with emergency funding situations during the intervening year — but lawmakers should be able to handle that in stride.

Rep. Gail Phillips of Homer is the latest legislator to offer a bill calling for biennial budgeting. Unfortunately, her measure got short-shrift in the last session. But it's still on the table — and it deserves attention when the Legislature next meets in January.

JUNEAU EMPIRE

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Two-year budgeting worth discussing

A two-year budget cycle for the state is an idea that House Speaker Gail Phillips promises to pursue during the session. It's a capital idea. According to Phillips, if the state operates with a two-year budget, the Legislature could cut down the amount of time it meets, a savings of both time and money. The second year of every legislative session could be shortened dramatically.

What the speaker wants is a serious discussion, and we think the topic deserves that. Yes, it's difficult to forecast budgets in a commodity-dependent economy like Alaska. But the state could save millions of dollars if lawmakers would do more long-range budgeting, and many areas of the budget are stable from year to year. As long as revenue projections are conservative and responsible, a biennial budget should be workable with the help of supplemental budgeting.

We welcome the discussion and debate about biennial budgeting. It may be the needed step to control fluctuating budgets and costly legislative sessions.



ALASKA MINERS ASSOCIATION, INC.

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March 20, 2001

The Honorable Lisa Murkowski
Alaska State House of Representatives
State Capitol
Mailstop 3100
Juneau, Alaska 99801-1182

Re: HJR 2 - Biennial State Budget

Dear Representative Murkowski:

The Alaska Miners Association (AMA) appreciates this opportunity to comment on HJR 2, which proposes amendments to the State Constitution relating to a biennial budget. This issue is a top priority for AMA and its members.

The AMA is pleased to see that this legislation is being put forward and we fully support HJR 2. We feel this legislation will lead to greater efficiency and effectiveness in our state government by having a two-year budget cycle in place. This will allow the legislature and administration to address other pressing issues requiring the full attention and focus of our lawmakers during the "off-year".

Thank you for this opportunity to comment on this important issue.

Sincerely,
Alaska Miners Association

Stanley T. Foo
(Acting) Executive Director

Lawmakers attempt to trim session

Reps seek two-year budgets

By BILL McALLISTER
THE JUNEAU EMPIRE

A group of freshman and sophomore representatives is investigating whether legislative sessions and state budgeting can be reformed through regular laws, rather than constitutional amendments.

But the lawmakers are still looking hard at 90-day and 60-day sessions and a biennial state budget, which they believe would result in a more efficient legislative process.

A House State Affairs subcommittee this morning discussed four proposed constitutional amend-

ments.

All of them would shorten the period in which the Legislature is in session. One, authored by Anchorage Republican Rep. Lisa Murkowski, also would call for the state budget to be set on a two-year cycle.

While House Majority Leader Jeannette James, a North Pole Republican, sat in for part of the discussion, the seven lawmakers who participated throughout the two-hour hearing all have been elected since 1998.

"I think the risk is, the longer you're here, the more comfortable

Please see Reforms, Page 8

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Reforms...

Continued from Page 1

you get with the status quo," said Rep. Andrew Halcro, an Anchorage Republican who is in his second term.

Proposed amendments by Halcro, Anchorage Republican Norm Rokeberg and Soldotna Republican Ken Lancaster would establish 90-day sessions every year. Now the annual regular session is limited by the constitution to 121 days.

Halcro's amendment also calls for legislators to begin their terms in December, rather than January, allowing a month of preparatory work in their districts before the Legislature convenes. He also would allow interim meetings of committees.

Murkowski would limit sessions

in even-numbered years to 60 days, although she said she's not firm on the length. The heart of a her proposal is setting a two-year budget during odd-numbered years, when sessions would remain 120 days.

The premise is that legislators don't really need all the time they take to do their business.

"There's a lot of stirring around and not a lot of motion forward in that first month," Murkowski said.

In discussion, the sponsors of the legislation and subcommittee members gained "a different awareness" about alternatives to constitutional amendments, said subcommittee chairman Hugh Fate, a Fairbanks Republican.

Legislative staffer Tam Cook said that in going to a biennial budget, "you can get 95 percent of the way there" without amending the constitution. The constitution

prohibits the appropriation of revenues not yet received, Cook said. So the Legislature could do all of the calculations necessary for a two-year budget but could not officially adopt the second half of it until the next regular session, she said.

A statutory limit on session length would have little if any legal force, Cook said. If lawmakers acted on bills after the statutory deadline, the courts probably would reject any challenges to the validity of the new laws on the grounds that the Legislature "by implication" had suspended the deadline, she said.

But she didn't rule out a statutory deadline as an effective political tool for self-discipline.

James, the majority leader, said she thinks that putting a long-range fiscal plan in place is necessary before doing any of the other

structural reforms, although she said a biennial budget is "a super idea."

"We should never take up a constitutional amendment lightly," Murkowski said. But she said the biennial budget could go "hand in hand" with a long-range fiscal plan and could be implemented gradually. Halcro said support for new taxes in a long-range plan could be gained by showing the public "we're willing to change the way we do business now."

Murkowski broached the idea of selecting an agency - say, the state Department of Education and Early Development - and trying to draft a biennial budget "just to see how possible it is to do this before we move forward with a constitutional amendment."

♦♦♦♦

Bill McAllister can be reached at billm@juneauempire.com.

Alaska State Chamber of Commerce**Priority 2001 - 1****Long Range Fiscal Planning**

The Alaska State Chamber of Commerce urges the Administration and Legislature to adopt and implement a unified long-range fiscal plan for the state. The plan should address a strategy to bring state spending in line with revenues, encourage and promote economic investment and business development, maintain the state's infrastructure and implement a deferred maintenance plan for all state-owned facilities, and further establish performance measures for state services in concert with results-based government.

The plan should implement a biennial state budget; privatize state services which could be competitively provided by the private sector; promote development of new businesses that could competitively provide goods or services currently provided by the state; and utilize a systematic funding mechanism, such as general obligation bonds, to meet the state's capital needs. The budget shall disclose all revenue and expense items.

ADOPTED

December 1, 2000

BY

Pamela La Bolle

Pamela La Bolle
President

BY

Rob Shoaf

Rob Shoaf
Chairman

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March 21, 2001

Representative Lisa Murkowski
Alaska State Legislature
Juneau, Alaska

Re: HJR 2, Biennial State Budget

Dear Representative Murkowski:

The Alaska State Chamber of Commerce supports HJR 2, proposing an amendment to the state constitution to establish a two-year budget cycle, rather than the current annual budgeting process.

We believe that a biennial budgeting cycle would provide for greater efficiency in state government by allowing state agencies more time to carry out the programs for which they are responsible, rather than spending a great deal of time every year preparing and defending their budgets.

The legislative process would also benefit from a two-year budget cycle. During the alternate years, Legislators could focus their time and resources on other legislative matters, allowing them to complete their work on policy issues and priorities in a shorter period of time. The shorter session should result in a significant cost saving to the state.

The State Chamber also believes that the biennial budget process should be an integral part of long-range fiscal planning and would facilitate the long-range planning process.

Thank you for introducing HJR 2, and we will encourage your fellow Legislators to support this measure.

Sincerely,

Pamela La Bolle
President

ALASKA STATE LEGISLATURE

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JOINT ARMED SERVICES



REPRESENTATIVE LISA MURKOWSKI

Government Hill • Elmendorf • East Anchorage

To: Representative John Coghill, Chairman, House State affairs

From: Representative Murkowski

Date: March 12, 2001

Re: House Joint Resolution 2

Please schedule House Joint Resolution 2 "Proposing amendments to the Constitution of the State of Alaska relating to the duration of regular sessions of the legislature and to a biennial state budget" for a hearing in House State Affairs Committee as soon as possible.

Included with the request is:

- 1) HJR 2
- 2) Sponsor Statement
- 3) Letters of Support
- 4) Experience of State Governments
- 5) Past editorials

Thank you for your consideration.