

HB

493

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 493(W&M)
(H) Publish Date: 4/21/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Long Term Fiscal Plan RDU: Revenue Programs & Services
Component: Tax Division
Sponsor: Representative Harris
Requester: House Ways & Means Component No.: 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	***	***	***	***	***	***

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	***	***	***	***	***	***

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

*** The senior audit and economic research staff of the Tax Division have spent many hours over the last several years analyzing both widely used fiscal tools as well as unique and untested approaches to the gap between the state's revenue forecast and spending. This bill would require the same expertise and effort to be available in a legislative agency. We believe two analysts at the the Economist III/Revenue Auditor V level and one additional staffer at the Economist II/Revenue Auditor IV level for a total cost of just under \$300,000 a year would represent the minimum effort necessary to support the development of a long term fiscal plan. Furthermore, we believe there would be a useful and ongoing level of support requested by the administration in their effort to design such a plan. Therefore, the Tax Division requests the same increment to allow the audit and research staff to refocus on their duties associated with current tax types.

Prepared by: Dan Dickinson, Director Phone: (907) 269-1033
Division: Tax Division Date/Time: 2/25/04 6:18 AM
Approved by: Steve Porter, Deputy Commissioner Date: 2/25/2004
Agency: Department of Revenue

Alaska State Legislature

House of Representatives



Official Business

State Capitol
Juneau, AK 99801-1182

Representative John Harris

Representative Max Gruenberg

SPONSOR STATEMENT

CSHB 493 (W&M) Adoption of State Fiscal Plan

House Bill 493 would require the legislature to adopt and annually revise a fiscal plan to balance state revenues and expenditures for the succeeding five fiscal years. The state's current budgetary system encourages legislators and the governor to focus only on the fiscal year immediately ahead. This bill would mandate a more comprehensive approach to fiscal planning by requiring the legislature to project revenues and expenditures five years into the future. This would allow legislators to anticipate and plan for budgetary shortfalls before they reach crisis proportions.

The fiscal plan must include: (1) the means to foster a stable economy that encourages economic growth; (2) procedures to improve governmental efficiency and cost-savings; (3) policies that protect the permanent fund while using earnings to maintain a strong dividend program and legislative flexibility to determine the use of the remaining earnings; (4) ways to raise revenues while maintaining a stable tax environment; and (5) provisions to maintain the integrity of the budget reserve fund.

This bill addresses a critical issue facing Alaska and will institutionalize appropriate long-range fiscal planning as part of the legislative process.

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SECTIONAL ANALYSIS

CSHB 493 (W&M)

Adoption of State Fiscal Plan

Section 1. Makes the following legislative findings: (1) the legislature and governor are responsible for fulfilling constitutionally mandates including providing for the public health and welfare, for public education and for the utilization, development and conservation of the state's natural resources; they are also responsible for public safety, the construction and maintenance of public facilities and transportation infrastructure and the protection of the environment; (2) in order to carry out these responsibilities, the legislature must budget a reasonable level of expenditures to finance the operations of state government; (3) there is a significant disparity between revenue sources that are currently being utilized and the expenditures necessary to maintain a reasonable level of state services; (4) for several years the legislature has addressed the disparity between state revenues and expenditures by drawing against the balance of the budget reserve fund; (5) the budget reserve fund is rapidly declining to a level that requires the development of a sound fiscal plan to address current budgetary needs as well as future state revenues and expenditures; (6) there is not a simple solution to the state's current fiscal dilemma; a combination of fiscal measures will be required to achieve a fiscal plan that is fair and balanced for all Alaskans; (7) a long-term fiscal plan will encourage the discipline necessary to assure that the state budget remains balanced and properly planned in the future; and (8) the implementation of a comprehensive long-range fiscal plan will help stabilize the state's economy and level out its historical pattern of boom and bust cycles.

Section 2. This bill section adds a new section to the executive budget act that requires the legislature to adopt and annually revise a long-term fiscal plan for balancing state revenues and expenditures for the succeeding five fiscal years. The fiscal plan must include: (1) ways

to foster a stable economy that encourages economic growth; (2) procedures to improve governmental efficiency; (3) policies that protect the permanent fund while using earnings to maintain a strong dividend program and the legislative flexibility to determine the use of the remaining earnings; (4) ways to raise revenues while maintaining a stable tax environment; and (5) provisions to maintain the integrity of the budget reserve fund.