

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3194

76

1 (B) a summary of projects previously authorized and not yet
2 completed;

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

6 (D) a forecast of the debt structure of the state and the various
7 debt ratios over the life of the state's bonds outstanding, bonds authorized and
8 to be issued, and bond authorizations recommended in the plan;

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

11 (F) bond election bills to authorize the bonds required to fund
12 the projects scheduled for the first three years of the plan;

13 (G) projections of population of the state and its regions and
14 communities;

15 (H) economic data and projections necessary for the evaluation
16 of the plan;

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

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

21 (6) any additional information that will facilitate understanding of the
22 governor's proposed programs and financial plans by the legislature and the public.

23 * Sec. 5, AS 37.07.070 is amended to read:

24 **Sec. 37.07.070. Legislative review.** The legislature shall consider the
25 governor's proposed comprehensive operating and capital improvements programs,
26 and fiscal plan if it is required under AS 37.07.020(b) [FINANCIAL PLANS],
27 evaluate alternatives to the plans, make program selections among the various
28 alternatives, and determine, subject to available revenues, the level of funding required
29 to support authorized state services. The presiding officer of each house may refer
30 the fiscal plan to one or more committees. If the fiscal plan is referred, the first
31 committee of referral shall hold at least one hearing on it. The operating and

1 capital budgets of each agency shall be separately reviewed. During each regular
2 session of the legislature, legislative review of the governor's supplemental
3 appropriation bills and the governor's budget amendments are [SHALL BE] governed
4 by the following time limits:

5 (1) requests by the governor for supplemental appropriations for state
6 agency operating and capital budgets for the current fiscal year may be introduced by
7 the rules committee only through the 30th legislative day;

8 (2) requests by the governor for budget amendments to state agency
9 budgets for the budget fiscal year may be received and reviewed by the finance
10 committees only through the 45th legislative day.

11 * Sec. 6. AS 37.14.003(a) is amended to read:

12 (a) The governor shall, at the time the governor presents under
13 AS 37.07.060(b) [SUBMITS] the proposed [COMPREHENSIVE OPERATING
14 AND] capital improvements program, and fiscal [FINANCIAL] plan if it is required
15 [UNDER AS 37.07.060(b)], submit to the legislature a separate appropriation bill
16 limited to appropriations for the state's integrated comprehensive mental health
17 program.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 15, 2007

SUBJECT: Budget planning and fiscal plan (CSHB 125(FIN),
Work Order No. 25-LS0546(L))

TO: Representative Mike Chenault
Representative Kevin Meyer
Co-chairs of the House Finance Committee
Attn: Sharlene Smith

FROM: Tamara Brandt Cook
Director *TBC*

Here is the final committee substitute with changes as requested. One of these changes is the addition of the phrase "but not limited to" after "including" at page 2, line 9. Please be aware that we try to avoid adding the phrase to the Alaska statutes. AS 01.10.040(b) states: "When the words 'includes' or 'including' are used in a law, they shall be construed as though followed by the phrase 'but not limited to.'"

TBC:lmb
07-055.lmb

Enclosure

**Amendment from
House Finance Committee
For HB 125 (W&M)**

#2029

called

3 amendment
changes

3:45 pm

3/14/07

Shaw

adopted

AMENDMENT \

OFFERED IN THE HOUSE
TO: CS HB 125 (W&M)

BY REPRESENTATIVE HAWKER

- 1 Page 3, lines 12-17.
- 2 Delete all material
- 3 Insert "(1) assist the governor in meeting the requirements of AS 37.07.020 [THE
- 4 PREPARATION AND EXPLANATION OF THE PROPOSED COMPREHENSIVE
- 5 PROGRAM AND FINANCIAL PLAN], including the coordination and analysis of state
- 6 agency goals and objectives, plans, and budget requests;
- 7
- 8 Page 5, line 1, following "financial plans"
- 9 Insert "prepared in accordance with AS 37.07.050"
- 10
- 11 Page 5, line 29, following "facility"
- 12 Delete "scheduled for the first three years of the plan"
- 13
- 14 Page 7, lines 12-17
- 15 Delete all material
- 16 Insert "(a) [THE GOVERNOR SHALL, AT THE TIME THE GOVERNOR SUBMITS
- 17 THE PROPOSED COMPREHENSIVE OPERATING AND CAPITAL
- 18 IMPROVEMENTS PROGRAM, AND FINANCIAL PLAN UNDER AS 37.07.060(B)]
- 19 At the time the governor submits the report required under AS 37.07.060(b), the
- 20 governor shall submit to the legislature a separate appropriation bill limited to
- 21 appropriations for the state's integrated comprehensive mental health program."

Requested by: Council Member Greg Koskela

Adopted: February 26, 2007

Vote: Ewing, Holler, Koskela, Menard and Meliva in favor; Cox absent

**CITY OF WASILLA
RESOLUTION SERIAL NO. 07-07**

**A RESOLUTION OF THE WASILLA CITY COUNCIL URGING THE ALASKA STATE
LEGISLATURE TO DEVELOP AND ADOPT A LONG-RANGE FISCAL PLAN
DURING ITS 2007 LEGISLATIVE SESSION.**

WHEREAS, the State of Alaska has no long-range fiscal plan in place to balance revenues and expenditures; and

WHEREAS, State revenues over the past quarter century have relied on petroleum extraction revenues for over 80 percent of its total annual operating revenues; and

WHEREAS, diversified economic development requires a stable and predictable State-wide and local fiscal environment; and

WHEREAS, the continual decrease in overall State revenue sharing, including matching grants and educational funding, have led to severe stress on local municipal budgets resulting in decreased service delivery throughout the State; and

WHEREAS, the current price of oil has resulted in a temporary increase in State revenues which provides an additional short period of time for the Legislature to develop a long-term fiscal plan for the State; and

WHEREAS, future spending plans should reflect declining oil revenues, as well as projected revenues from other natural resources of the state; and

WHEREAS, House Bill 125, currently introduced in the 2007 Legislative Session provides a way to achieve fiscal responsibility in the State of Alaska.

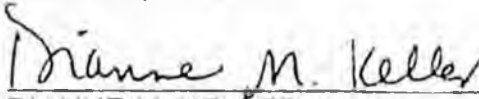
NOW THEREFORE BE IT RESOLVED, that the Wasilla City Council, urges the Alaska State Legislature to develop and adopt a Long-Range Fiscal Plan during its 2007 Legislative Session.

ADOPTED by the Wasilla City Council on February 26, 2007.

ATTEST:



KRISTIE SMITHERS, MMC, City Clerk



DIANNE M. KELLER, Mayor

[SEAL]

Amended
Pg 2

CS FOR HOUSE BILL NO. 125(W&M)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

Offered: 3/5/07

Referred: Finance

Sponsor(s): HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to budget planning and a fiscal plan for the State of Alaska."

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

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

4 (b) In addition to the budget and bills submitted under (a) of this section, the
5 governor shall submit a capital improvements program [AND FINANCIAL PLAN]
6 covering the succeeding six fiscal years. Except during the first year of the
7 governor's first term of office, the governor shall also submit a fiscal plan with
8 estimates of significant sources and uses of funds for the succeeding 10 fiscal
9 years. The fiscal plan

10 (1) must include sufficient details to identify

11 (A) significant sources of funds;

12 (B) significant uses of funds, including lump sum
13 projections of

14 (i) operating expenditures;

15 (ii) capital expenditures;

- 1 (iii) debt service expenditures;
- 2 (iv) fund capitalizations;
- 3 (v) appropriations of income of the Alaska
- 4 permanent fund (art. IX, sec. 15, Constitution of the State of
- 5 Alaska), if any;
- 6 (2) must balance sources and uses of funds held while providing
- 7 for essential state services and protecting the economic stability of the state;
- 8 (3) must include projected balances of significant funds held in
- 9 separate accounts, including, ^{but not limited to,} the budget reserve fund (art. IX, sec. 17,
- 10 Constitution of the State of Alaska), the public education fund (AS 14.17.300),
- 11 and the Alaska capital income fund (AS 37.05.565);
- 12 (4) may, at the discretion of the governor, also include
- 13 recommendations to
- 14 (A) encourage economic growth and stability, maintain a
- 15 high quality of life, ^{responsibly} develop the state's natural resources, educate the
- 16 children of the state, and maintain public health, safety, and welfare;
- 17 (B) provide services as efficiently as practicable and reduce
- 18 state expenditures where possible;
- 19 (C) establish policies that protect the principal of the
- 20 Alaska permanent fund over time while using the income of the fund to
- 21 (i) offset the effect of inflation on the principal of the
- 22 fund;
- 23 (ii) maintain a strong permanent fund dividend
- 24 program;
- 25 (iii) retain the legislature's flexibility to determine
- 26 the appropriate use of the remaining income of the fund;
- 27 (D) raise revenue for the operation of state government
- 28 while maintaining a stable tax environment; and
- 29 (E) provide adequate reserve funds to mitigate the
- 30 consequences of market price volatility on state revenue from resources;
- 31 (5) may include a list of reports, plans, and other materials relied

1 on in the preparation of the fiscal plan, together with a brief description of the
 2 relevance of the materials and how to obtain paper or electronic copies of the
 3 material.

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

5 (c) Proposed expenditures may not exceed estimated revenue for the
 6 succeeding fiscal year. The expenditures proposed in the six-year capital
 7 improvements program [AND FINANCIAL PLAN] may not exceed the estimated
 8 revenue and bond authorizations passed and proposed.

9 * Sec. 3. AS 37.07.040 is amended to read:

10 Sec. 37.07.040. Office of management and budget. The Alaska office of
 11 management and budget shall

12 (1) except during the first year of the governor's first term of
 13 office, prepare for submission to the governor an annually updated 10-year fiscal
 14 plan and assist the governor in the preparation and explanation of the [PROPOSED
 15 COMPREHENSIVE PROGRAM AND FINANCIAL] plan, including the
 16 coordination and analysis of state agency goals and objectives, plans, and budget
 17 requests;

18 (2) prepare for submission to the governor an annually updated six-
 19 year capital improvements program and the proposed capital improvements budget for
 20 the coming fiscal year, the latter to include individual project justification with
 21 documentation of estimated project cost;

22 (3) develop procedures to produce the information needed for effective
 23 policy decision making, including procedures to provide for the dissemination of
 24 information about plans, programs, and budget requests to be included in the annual
 25 budget and opportunity for public review and comment during the period of budget
 26 preparation;

27 (4) assist state agencies in their statement of goals and objectives to
 28 achieve, among other things, the legislature's mission and desired results, preparation
 29 of plans, assessments of the extent to which missions and desired results have been
 30 achieved, budget requests, and reporting of program performance; all documents
 31 forwarded by the office to a state agency containing instructions for the preparation of

1 program plans and budget requests and the reporting of program performance are
2 public information after the date they are forwarded;

3 (5) administer its responsibilities under the program execution
4 provisions of this chapter so that the policy decisions and budget determinations of the
5 governor and the legislature are implemented;

6 (6) provide the legislative finance division with the budget information
7 it may request;

8 (7) provide the legislative finance division with an advance copy of the
9 governor's budget workbooks by the first Monday in January of each year, except that
10 following a gubernatorial election year the advance copy shall be provided by the
11 second Monday in January;

12 (8) prepare the proposed capital improvements budget for the coming
13 fiscal year evaluating both state and local requests from the standpoint of need, equity,
14 and priorities of the jurisdiction; other factors such as project amounts, population,
15 local financial match, federal funds being used for local match, municipality or
16 unincorporated community acceptance of the facility, and all associated costs of the
17 facility may be considered;

18 (9) for each department in the executive branch, report to the
19 legislature by the 45th day of each regular session the amount of money appropriated
20 to the department that is expected to lapse into the general fund at the end of the
21 current fiscal year;

22 (10) establish and administer a state agency program performance
23 management system involving planning, performance budgeting, performance
24 measurement, and program evaluation; the office shall ensure that information
25 generated under this system is useful for managing and improving the efficiency and
26 effectiveness of agency operations.

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

28 Sec. 37.07.060. Governor's recommendation. (a) The governor shall
29 formulate the operating and capital budget, capital improvements program,
30 [PROGRAMS] and fiscal plan [FINANCIAL PLANS] required to be recommended
31 to the legislature by AS 37.07.020 after considering the state agency proposed

1 program and financial plans, and other programs and alternatives that the governor
2 considers appropriate. The plans must include the governor's recommended missions
3 and results, recommended strategies to implement the missions and results,
4 recommended measures for determining whether the missions and desired results are
5 achieved, including an assessment of whether prior year missions and desired results
6 have been achieved, recommended operating program for the succeeding fiscal year,
7 recommended capital improvements program for the succeeding six fiscal years,
8 recommended programs for the upgrading of public buildings and facilities prepared
9 in accordance with AS 35.10.015, and recommended revenue measures to support the
10 programs.

11 (b) The governor shall present the proposed comprehensive operating and
12 capital improvements programs, and fiscal plan if it is required under
13 AS 37.07.020(b), [FINANCIAL PLANS] in a message to a joint session of the
14 legislature before the fourth legislative day following the convening of the legislature
15 in regular session. The message must be accompanied by an explanatory report that
16 summarizes recommended goals, plans, and appropriations. The report must contain

17 (1) the coordinated program goals and objectives that [WHICH] the
18 governor recommends to guide the decisions on the proposed program plans and
19 budget appropriations;

20 (2) the governor's operating program and budget recommendations for
21 the succeeding fiscal year organized by agency as required by AS 37.07.020(a);

22 (3) the governor's capital improvements program and budget
23 recommendations for the succeeding fiscal year and capital improvements program for
24 the succeeding six fiscal years, which must include

25 (A) a description of each project, its estimated cost for the year
26 construction is to start and the estimated cost of the project adjusted for
27 inflation over the estimated period of construction, and the source of financing
28 for the project; the project description for a new building or a new facility or
29 for a major addition to a building or facility scheduled for the first three
30 years of the plan should include a site plan, preliminary drawings, and
31 architect's or engineer's total cost estimate for the project;

1 (B) a summary of projects previously authorized and not yet
2 completed;

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

6 (D) a forecast of the debt structure of the state and the various
7 debt ratios over the life of the state's bonds outstanding, bonds authorized and
8 to be issued, and bond authorizations recommended in the plan;

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

11 (F) bond election bills to authorize the bonds required to fund
12 the projects scheduled for the first three years of the plan;

13 (G) projections of population of the state and its regions and
14 communities;

15 (H) economic data and projections necessary for the evaluation
16 of the plan;

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

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

21 (6) any additional information that will facilitate understanding of the
22 governor's proposed programs and financial plans by the legislature and the public.

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

24 Sec. 37.07.070. Legislative review. The legislature shall consider the
25 governor's proposed comprehensive operating and capital improvements programs,
26 and fiscal plan if it is required under AS 37.07.020(b) [FINANCIAL PLANS],
27 evaluate alternatives to the plans, make program selections among the various
28 alternatives, and determine, subject to available revenues, the level of funding required
29 to support authorized state services. The presiding officer of each house may refer
30 the fiscal plan to one or more committees. If the fiscal plan is referred, the first
31 committee of referral shall hold at least one hearing on it. the operating and

1 capital budgets of each agency shall be separately reviewed. During each regular
2 session of the legislature, legislative review of the governor's supplemental
3 appropriation bills and the governor's budget amendments are [SHALL BE] governed
4 by the following time limits:

5 (1) requests by the governor for supplemental appropriations for state
6 agency operating and capital budgets for the current fiscal year may be introduced by
7 the rules committee only through the 30th legislative day;

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9 budgets for the budget fiscal year may be received and reviewed by the finance
10 committees only through the 45th legislative day.

11 * Sec. 6. AS 37.14.003(a) is amended to read:

12 (a) The governor shall, at the time the governor presents under
13 AS 37.07.060(b) [SUBMITS] the proposed [COMPREHENSIVE OPERATING
14 AND] capital improvements program, and fiscal [FINANCIAL] plan if it is required
15 [UNDER AS 37.07.060(b)], submit to the legislature a separate appropriation bill
16 limited to appropriations for the state's integrated comprehensive mental health
17 program.



25th Alaska State Legislature

House Special Committee on Ways & Means

Chair:

Rep. Mike Hawker
Capitol Room 502
465-4949

Vice-Chair:

Rep. Anna Fairclough
Capitol Room 411
465-3777

Members:

Rep. Bob Roses
Capitol Room 416
465-4939

Rep. Paul Seaton
Capitol Room 102
465-2689

Rep. Peggy Wilson
Capitol Room 403
465-3824

Rep. Sharon Cissna
Capitol Room 420
465-3875

Rep. Max Gruenberg
Capitol Room 110
465-4940

Committee Aide:

Juli Lucky
465 6587 direct
465 4979 fax

House Bill 125

Sponsor Statement

Short Title: Long-Range Fiscal Plan

House Bill 125 clarifies the existing duty imposed on the Governor by the Executive Budget Act (EBA) to annually prepare a "financial plan." The EBA contains no further definition of the financial plan.

Perhaps due to the vagueness of the EBA, the financial plan has not been prepared in recent years, if ever. The Director of the Office of Management and Budget (OMB) reports that "OMB has not prepared a formal plan for some time..."

HB 125 requires that, in addition to the annual budget, the Governor shall submit a fiscal plan consisting of estimates of significant sources and uses of funds for the succeeding 10 fiscal years. A newly elected governor would not be required to submit a plan during his or her first year in office. The fiscal plan must include only enough detail to identify significant sources of funds and lump-sum projections of significant uses of funds, such as for operating expenditures and capital expenditures. The plan does not require or imply adoption of any policy, only the estimation of future cash flows and identification of means to keep sources and uses of funds in balance over time.

The plan must also include projected balances of significant funds held in separate accounts, such as the constitutional budget reserve, the public education fund and the Alaska capital income fund.

HB 125 also allows, but does not require, the Governor to include fiscal policy recommendations in the fiscal plan. The presiding officers of the legislature may refer the plan to committees for public hearing. The purpose of HB 125 is to require a simple and efficient process that puts the broadest picture of state expenditure and revenue trends in perspective and stimulates the discussion and development of specific long range fiscal policies.

The baseline fiscal analysis provided under HB 125 is the necessary prerequisite for long range fiscal decision making as well as a device to put current budgets in context, encouraging short-term discipline and responsibility.



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Capitol Room 110
465-4940

Committee Aide:

Juli Lucky
465-6587 direct
465-4979 fax

Changes between HB 125 And CS HB 125 (W&M)

Amendments adopted in the House Special Committee on Ways & Means did the following:

- Exempted a newly-elected governor from preparing a fiscal plan during his or her first year of office.
- Outlined a legislative response – the presiding officers may refer the plan to one or more committees, which would then hold a public hearing on the plan.
- Added language allowing the Governor to include reference to the materials used to formulate the plan and information on how to obtain the materials.
- Where appropriate, deleted the term “financial plan” or replaced it with the term “fiscal plan.”
- Removed “long-range” wherever it appeared before “fiscal plan.”
- Adopted new language to clarify what is expected in the plan.

Requested by: Council Member Greg Koskela
Adopted: February 26, 2007
Vote: Ewing, Holler, Koskela, Menard and Metiva in favor; Cox absent

**CITY OF WASILLA
RESOLUTION SERIAL NO. 07-07**

**A RESOLUTION OF THE WASILLA CITY COUNCIL URGING THE ALASKA STATE
LEGISLATURE TO DEVELOP AND ADOPT A LONG-RANGE FISCAL PLAN
DURING ITS 2007 LEGISLATIVE SESSION.**

WHEREAS, the State of Alaska has no long-range fiscal plan in place to balance revenues and expenditures; and

WHEREAS, State revenues over the past quarter century have relied on petroleum extraction revenues for over 80 percent of its total annual operating revenues; and

WHEREAS, diversified economic development requires a stable and predictable State-wide and local fiscal environment; and

WHEREAS, the continual decrease in overall State revenue sharing, including matching grants and educational funding, have led to severe stress on local municipal budgets resulting in decreased service delivery throughout the State; and

WHEREAS, the current price of oil has resulted in a temporary increase in State revenues which provides an additional short period of time for the Legislature to develop a long-term fiscal plan for the State; and

WHEREAS, future spending plans should reflect declining oil revenues, as well as projected revenues from other natural resources of the state; and

WHEREAS, House Bill 125, currently introduced in the 2007 Legislative Session provides a way to achieve fiscal responsibility in the State of Alaska.

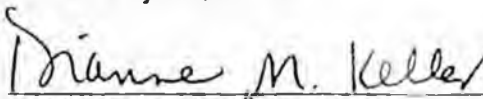
NOW THEREFORE BE IT RESOLVED, that the Wasilla City Council, urges the Alaska State Legislature to develop and adopt a Long-Range Fiscal Plan during its 2007 Legislative Session.

ADOPTED by the Wasilla City Council on February 26, 2007.

ATTEST:



KRISTIE SMITHERS, MMC, City Clerk



DIANNE M. KELLER, Mayor

[SEAL]

February 14, 2007

Representative Mike Hawker, Chair
House Ways & Means Committee
State Capitol
Juneau, AK 99801

Dear Representative Hawker,

The Alaska State Chamber of Commerce strongly supports HB 125. State Fiscal Planning has been a top priority of the State Chamber for many years. We believe the state needs stability in budget planning as volatile state revenues create unforeseeable budget gaps and revenue excesses. Any smart business plans for future years through detailed planning of revenues and expenditures, with adjustments made each year.

Amending Alaska Statutes regarding the Executive Budget Act, HB 125 assigns a long-term fiscal plan requirement to the Governor's duties of providing yearly budgets. Under HB 125, the Governor's fiscal plan reaches forward 10 years into the future, showing legislators and the public what to expect in lean years and in years of excess. HB 125 may fall short of enacting an actual fiscal plan; however, HB 125 will provide for a constantly evolving framework-a fiscal plan, for the legislature and the public to follow as budgets are enacted from year to year.

With new legislators every two years, a volatile oil market, a PFD citizenry, and a new governor every four years, HB 125 hurdles many of the states political quagmires that may prevent adopting a long-term fiscal plan. Simply, requiring that a plan be submitted each year along with a budget, creates a first in Alaska, fiscal planning. The Alaska State Chamber strongly advocates for HB 125 and we hope the bill will move quickly through the legislature.

Yours in economic prosperity,



Wayne A. Stevens
President/CEO



February 19, 2007

The Honorable Mike Hawker, Chair
House Special Committee on Ways and Means
Alaska State Capitol, Room 502
Juneau, AK 99801-1182

RE: HB 125 (House Special Committee on Ways and Means)--Support

Dear Chair Hawker:

On behalf of the members of AARP in Alaska, we encourage you and your colleagues on the House Special Committee on Ways and Means to support your Committee bill HB 125.

HB 125 is a significant effort in establishing a long-range fiscal plan for Alaska.

HB 125 is an ambitious bill which, we hope, will provide some economic stability and guidance for our elected officials and our citizens.

When AARP considers our state budget, we follow a set of basic principles:

- Budget policy should promote economic growth and stability.
- Fairness across generations should be an important goal in formulating budget policy.
- Government should strive for balance during both economic expansion and contraction.
- Flexibility should be maintained and vulnerable populations (of any age) should be protected.
- Budget policymakers should be mindful of how their decisions impact other levels of government.

AARP believes that states should provide localities with the funding they need to meet their obligations. Passing responsibilities down to lower levels of government should be undertaken primarily to place services closer to the people being served and to maximize administrative efficiencies, not as a way to reduce costs. We do not support placing unfunded mandates on local government.

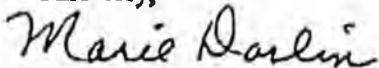
Many AARP members lived in Alaska when we had a state income tax. Many of our members live in communities that currently have a sales tax. Many have lived in other states that had both income and sales taxes. We understand that Alaska's fiscal situation, without a state income tax or a state sales tax, has often been subject to oil revenue going up and down. Hopefully HB 125 will help our elected officials and our citizens have a more accurate reading of Alaska's fiscal status and what to expect in the future.

AARP recommends an "AYE" vote on HB 125.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,



Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Vice-Chair Anna Fairclough
Representative Bob Roses
Representative Paul Seaton
Representative Peggy Wilson
Representative Sharon Cissna
Representative Max Gruenberg

Alaska State Chamber of Commerce
2007 Priority
Fiscal Plan

The Alaska State Chamber of Commerce urges the Legislature to adopt a comprehensive fiscal policy. The State Chamber recognizes that the first problem in adopting a comprehensive fiscal policy is to have a common definition of what is a fiscal policy. While the State Chamber recognizes that no policy can bind future legislatures, the policy should reflect long-term sustainability and the best combination of the following considerations.

- Economic development and business opportunities need some level of fiscal certainty. That certainty can only be accomplished with a comprehensive fiscal plan which addresses state spending in times of shortfall and defines essential priorities
- A comprehensive fiscal policy should determine what constitutes a basic budget of essential services in times of revenue short-falls
- A comprehensive fiscal policy should seriously consider a two-year budget cycle based on funding these essential government services
- A comprehensive fiscal policy shall recognize the complex dependency of locally delivered services that are funded through state revenue sharing and factor that into the policy
- A comprehensive fiscal policy should address the PERS/TERS issue making this state obligation actuarially sound
- A comprehensive fiscal policy should include the utilization and sustainability of the Constitutional Budget Reserve
- A comprehensive fiscal policy should adopt the percent-of-market (POMV) management tool for the Alaska Permanent Fund;
- A comprehensive fiscal policy should reasonably anticipate scenarios of growth predicated on realistic resource development and its affect on budgets
- Forge a plan for implementation of a program to privatize state services that could be competitively provided by the private sector
- A comprehensive fiscal policy should not preclude the continuation of the Alaska Permanent Fund Dividend program
- No additional business taxes should be enacted by the legislature until a fiscal plan is developed. Further, the State Chamber reiterates that fiscal discipline and legislative accountability must precede any new taxes.



PRESIDENT'S MESSAGE



GLEN "KNICK" KNICKERBOCKER
President

New year, new governor, new legislators – same priorities

Another election season has recently passed and our state Legislature will soon be convening to conduct our business. We have a new governor and several new faces in the Legislature but, based upon past experience, and in spite of all of the campaign rhetoric, we must question whether anything will really change or will it just be more of the same.

For several years AGC of Alaska has established a list of legislative priorities. These are not just priorities important to the construction industry, but are of importance to every business and individual in the state. As I review this list in preparation for our annual "Legislative Fly-In," it strikes me how little this list changes each year. Does this lack of change mean that those who we have supported and sent to Juneau to act on our behalf forget about what we deem important once the elections are over?

- **Long-term fiscal plan** – AGC, as well as numerous other groups and individuals, have repeatedly called upon our state Legislature and the administration to develop a fiscal plan based upon realistic revenues rather than continuing to spend based upon windfalls from temporary high oil prices and dreams of mega projects to come. This plan should also address such huge unfunded liabilities as deferred maintenance on public facilities and the public employee's retirement plan.

- **Privatization of work done by the state** – We have repeatedly called upon the Legislature and the administration to identify and privatize state-owned assets.

...and to identify and privatize state-owned assets.

...and to identify and privatize state-owned assets.

...and to identify and privatize state-owned assets.

- **Funding for vocational/technical education** – AGC has repeatedly called upon the Legislature and the administration to identify and privatize state-owned assets.

To paraphrase Albert Einstein, one definition of insane behavior is doing things the same way over and over and expecting different results. How many times are we going to go to Juneau with the same list and hope that maybe this time it will be different?

with our public education system, at all levels, to encourage vocational and technical education. We are proud and pleased with the few changes we have helped to bring about. But the fact remains that within two years of high school almost 80 percent of our young people enter the job market grossly ill-equipped. What does it say about our education system when it is 99 percent geared toward preparing 20 percent of high school graduates to attend college and offers comparatively little training for the 80 percent who will enter directly into the workforce?

- **State of Alaska transportation system** – There is little doubt that our influence at the federal level will suffer set-backs with our representatives now in the minority in both the House and the Senate. Unless you have had the opportunity to visit Washington, D.C. lately, it is hard to comprehend the damage Alaska has suffered due to the "Bridges to Nowhere" controversy. The days

of enjoying a return from the federal government of more than \$5 for every \$1 contributed by the state are numbered. We need a long-range plan to continue to fund the much needed improvements to our transportation infrastructure. We cannot afford to let our roads in the sand until lack of funding becomes a crisis to which we must react.

...to paraphrase Albert Einstein, one definition of insane behavior is doing things the same way over and over and expecting different results.

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Associated General Contractors of Alaska Legislative Priorities 2007

Long-term fiscal plan

It is in the best interests of the state of Alaska that the Legislature and administration adopt a long-term fiscal plan that deals with the issue of declining petroleum production, appropriate levels of taxation, utilization of the Alaska Permanent Fund and incentives to encourage new economic growth. In addition the serious problems that currently exist in the state retirement programs demand a long-term solution.

The long-term fiscal plan should also include an approach to the maintenance and enhancement of the capital assets of the state. Frequently capital budgets trumpet the addition of new facilities but fail to address the necessary maintenance and upkeep of existing facilities. Good stewardship requires that appropriate maintenance of existing facilities be incorporated within the operating budget while the expansion or enhancement of facilities can be accomplished in a capital budget.

The capital budget should also deal with the issue of utilizing the bonding capabilities of the state to address existing capital deficiencies. Repayment of general bonds however competes annually with operating funds so the quantity of bonded projects should not exceed the state's ability to fund the required annual payments. Undoubtedly a level exists at which the bonded debt optimizes the growth of the state without penalizing future operations or opportunities. The goal should be to use bonded debt up to that level but care should be exercised not to exceed the threshold.

State of Alaska transportation system

To realize its potential, Alaska needs a transportation system that considers all modes of transportation. As part of the mix to finance the construction of the system, the state should consider a combination of taxes and revenue bonds. Carve Bonds should be used judiciously since they add no new money to Alaska's highway program, they merely accelerate expenditures of anticipated future receipts. Given the likelihood that Alaska's share of the "highway trust fund pie" will decrease in the future, Carve Bonds represent an opportunity to spend non-existent dollars, thereby gradually diminishing the money available to maintain and expand the infrastructure of Alaska.

Further, the current transportation infrastructure of Alaska is inadequate and requires continued planning, upgrades and expenditures to assure the citizens of Alaska are provided with essential services. There is little doubt that the economic benefit derived from the investment in Alaska's transportation infrastructure far exceeds the matching funds required to secure the federal matching funds. Accordingly, the state is encouraged to not only continue providing full funding of

the federal highway matching funds but also start a consistent program of investment by the state in the program.

Privatization of work done by state

Each year, state workers undertake considerable work that could more efficiently be performed by the private sector. The governmental employees involved in these activities should be transferred to more traditional governmental roles and the work should be performed by the private sector.

From projects such as the reconstruction of airport roads to major maintenance work on transportation projects, the state of Alaska is employing state workers to perform work normally undertaken by the private sector. The justification that the state can perform the work more cost effectively ignores cost accounting realities. Perhaps the most condemning aspect of this endeavor is that legitimate work is withdrawn from a myriad of small Alaska businesses that depend on it. Without such work, the viability of these firms is threatened.

Funding for vocational/technical education

A majority of Alaska's high school graduates do not go to college yet the state's high school curriculum is oriented to college preparation. The state should adopt a more balanced funding approach to better prepare those students not pursuing post-secondary education for the world of work. The Workforce Investment Board has recently prepared a long-term strategy for meeting the projected shortfall in construction laborers. The strategy calls for increased funding for vocational training at the secondary level and a renewed emphasis at the post-secondary level to capture those who do not have the opportunity to receive such training at the secondary level.

In 2006, the Legislature took the first step and funded a pilot program at the King Career Center in Anchorage. The program represents a true public/private partnering effort and initial indications are that the model will help address the long-term labor needs of the construction industry. The program should be expanded to other schools in the state and the funding increased appropriately.

Currently, the state of Alaska has one and one half positions in the Department of Education and Early Development devoted to the students not pursuing a post-secondary education. As a consequence, these students are ill prepared for the world of work, have little idea of the opportunities available to them, and are not prepared to contribute to the economic growth of Alaska. The educational system of the state of Alaska is failing these students, their future employers, and constraining the growth of the state by not focusing on the needs of this valuable group of Alaskans.

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Anchorage Daily News

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It is about time for a fiscal plan

(Published: February 5, 2007)

Pardon us for pointing out the obvious, but this state still has no real fiscal plan despite years of talking the subject nearly to death. Admittedly, the Legislature may have a lot on its plate this year, but figuring out how to fund government in the future and ensure Permanent Fund dividends is no small matter, especially for those of us who revile the notion of an income tax.

Times are good now. High oil prices are keeping the wolves from the door, but with declining production, and a gas line a decade or so away, it would seem prudent to begin looking at exactly where state government will draw revenues when times are tougher and its emergency stash, the Constitutional Budget Reserve, a repository for windfall profits from royalty and tax settlements, dries up.

Another problem. Continued and repeated draws on the CBR in the past to stem the flow of red ink made bond-rating agencies nervous and that could cost the state in the long run.

So far, the best prospect has been some version of the Percent of Market Value, or POMV, approach that would take some percentage of the \$36.9 billion Permanent Fund each year, say 5 percent, and divide that amount between government operations and dividend checks.

The small percentage used would cushion the fund from radical, short-term swings in the national economy and allow the fund to grow. It is a method used by large institutional funds across the nation, and one designed to protect those pots of money.

There will always be problems with trying to craft such a plan here, first from those who have enshrined the Permanent Fund and view any use of its earnings as a "raid," to those who would think it a nefarious plot of some kind to resurrect former Gov. Frank Murkowski.

As it stands now, using the Permanent Fund's earnings has become a political third rail, despite the 1976 constitutional amendment that stipulates the earnings be placed in the general fund to run government. Most politicians would rather take a beating than suggest such a thing.

A POMV would avoid some of that, and, over the years, there have been various plans and formulas for such a program. Some would have used the money for education and dividends; others, only dividends; and still others, to run state government.

But, for one political reason or another, nothing has been done. Now, while oil prices are high, is the perfect time to begin talking rationally about a POMV or some other vehicle to fund government and fuel dividends in the future. There is little pressure and lots of time.

History shows us it will not always be this way.

[Print Page](#)[Close Window](#)

2007 Policy Statement



Approved by
AML Membership
November 2006

Alaska Municipal League
217 Second Street, Suite 200
Juneau, Alaska 99801
Phone (907) 586-1325
Fax (907) 463-5480

reduce local taxpayer subsidization of state lands and facilities. Based on the above criteria, local taxpayers are currently subsidizing state government by approximately \$75 million per year. These subsidies should be funded with a PILT.

2. State Funding for Education:

- a. The League supports continued long-term full funding of the education foundation program, school debt reimbursement and construction. The foundation formula should be adjusted annually to compensate for inflation (See Part II, Education A.4. for a full discussion on the state's constitutional mandate to provide schools).
- b. The League strongly encourages amending the education foundation formula so it is equitable to local governments and does not take unfair advantage of changes in local assessed values.

3. Municipal Capital Matching Grants:

- a. The League supports full funding for the Municipal Capital Matching Grant Program, using earnings of the Amerada Hess Account for local capital infrastructure needs at not less than the historical funding level of \$ 28 to 32 million level per year, adjusted for inflation since inception of the program during the Hickel Administration (See also A.1. in Public Works and Infrastructure section). The purpose of the Municipal Capital Matching Grant Program was to allow communities to meet their top infrastructure needs most efficiently while shielding them from the political legislative allocation process.
- b. **State and Municipal Facilities and Infrastructure:** Funding for the maintenance of state and municipal facilities and infrastructure should be provided on a timely and consistent basis.
- c. **Deferred Maintenance:** The existing program to provide ongoing funding for deferred maintenance for state and municipal public facilities and infrastructure should be expanded using revenue sources other than local taxation for state mandated facilities.
- d. **Governmental Accounting Standards Board (GASB) Statement Number 34:** State support should be at a level at which municipalities can implement a deferred maintenance program and establish necessary reserves sufficient for future maintenance in order to comply with GASB 34.

4. Long-Range State Financial Plan:

- a. **Overall policy:** The adoption of a state operation and long-range fiscal plan is critical to a stable future for all Alaskans by promoting affordable state and local tax levels, and adequate state and local services with balanced complementary revenue sources for municipalities and the state.
- b. **Guiding Principles for a Financial Plan:** Elements that should be included in a long-range financial plan are:
 1. The plan provides financial stability
 - Annual revenues are stable, predictable, and diversified.
 - State and local taxes are predictable.
 2. The plan is sustainable
 - Expenditures and revenues are balanced and managed responsibly.
 - Activities with high economic returns are supported.
 3. Any trade-offs between taxes, dividends, and public services are balanced across households, businesses, industries, and communities.
 4. Economic activity supported with public dollars should provide financial return to state and/or local treasuries.
 5. Provides smooth transition between substantial changes in dividends, taxes, and/or public services.

- c. **Public Education and Involvement Regarding a Long Range Fiscal Plan:**
- Municipalities should assist the Legislature and the Administration in educating the public through the use of local media, public forums, resolutions, creating local fiscal coalitions with local groups such as the PTAs and Chambers of Commerce, presentations at meetings of local organizations, one-on-one discussions with citizens, etc.
 - The Administration must give Alaskans all the facts necessary to make decisions regarding a Long Range Fiscal Plan by developing written information, an interactive web site, meeting with local elected officials, etc.
 - The Legislature should educate, inform and involve all citizens in these decisions regarding both fiscal and public service impacts through local forums, meeting with local officials, determining the impact of state budget actions on local taxes and services, and providing funding for schools to implement Alaska Civics and History to give young Alaskans information on how our government works.
 - Together, municipalities, the Governor, and the Legislature should engage the public in a dialogue over the levels of public services that should be provided.
- d. **Legislative Open Meetings:** To increase public understanding and support for legislative policy decisions, the legislature should hold open meetings to consider solutions for a Long Range Fiscal Plan.
- e. **Community and Local Control Issues:**
- Revenue sharing or a Community Dividend is a component of the plan to maintain viable local communities with stable local taxes and services.
 - Currently 102 of 163 municipalities depend on a sales tax of 1% - 7%. The League vigorously defends sales tax as a local option to maintain control over this key local revenue source. Imposition of a State sales tax would jeopardize local economies and cause a reduction in municipal sales tax.
- f. **Components of the Long Range Fiscal Plan:**
There are two components that create a fiscal gap: revenue and spending.
1. **Spending:**
- a. **State Spending Limit:** It is important to recognize that a balanced financial plan must respond to the public's concern to control state expenditures targeting long term financial stability. To this end, the League supports a spending limit that provides such restraint, but also includes the flexibility to respond to changing conditions including population, inflation, loss of federal funds, federal mandates, and emergencies.
 - b. **Sound Fiscal Policy:** The supplanting of general fund dollars with federal funds should only be done when it does not impair the effectiveness of a program in achieving its intended results, or its long-term viability should those federal funds at some point cease to supplant general fund dollars. Arbitrary replacement of state funds will serve as a disincentive to programs to diversify their sources of funding.
 - c. **Accountability:** A strong emphasis should be placed on the efficient use and accountability of public funds.
2. **Revenue:** Consider both revenues and equitable resource use with a goal to create a revenue package that is sufficient to meet the needs of the state and to allow for the adoption of a sound based fiscal plan.
- a. **Income Tax:** Some form of a state income tax should be considered as part of an overall state fiscal plan. An income tax should include all wages earned in the State of Alaska regardless of residency.
 - b. **Permanent Fund Earnings:** The League supports investment and payout policies that provide a consistent financial return, with a Percent of Market Value (POMV) endowment plan, that results in payment of stable dividends to citizens and revenue to support state and local government services.

- c. **Keep Sales Tax Local:** A state sales tax is strongly discouraged because it would jeopardize local economies, reduce municipal sales tax revenue, and interfere with the evolution of municipal sales tax codes and exemptions, which have been refined and tailored to individual communities.
- d. **Natural Resource Revenues**
 - **North Slope Natural Gas Pipeline:** The League strongly endorses the construction of an all Alaskan natural gas pipeline from the North Slope, including regional spurs as proposed by the Alaska Gas Pipeline Port Authority. The program should be structured in such a way to include a provision for a PILT program or other guaranteed mechanism for local municipalities to levy local taxes.
 - **Arctic National Wildlife Refuge (ANWR):** (Note: Also in Section Part IV Land Use, Resources, and Economic Development) The League urges the Congress of the United States to open the Coastal Plain of the Arctic oil reserve, including the Alaska Native Claims settlement lands, to environmentally responsible oil and gas exploration, development, and production and upon collaboration with the local residents. The League also strongly supports the 90-10 split of revenues as required by the Statehood Act. The League also urges the State of Alaska to redistribute federal mineral revenue sharing funds to local governments.

B. ADMINISTRATION OF MUNICIPAL GRANTS AND ENTITLEMENTS

1. Regulation of Grants and Entitlements

- a. The League supports simple and standardized grant and entitlement programs. The League opposes the addition of special conditions or regulations to grants and entitlement programs by state departments administering the grants when such conditions are not contained in the appropriation or the authorizing legislation. Further, legislatively authorized grant award time frames should not be reduced due to administrative grant management policies.
- b. The League further supports the reduction of all administrative fees deducted by state departments administering the grants programs, and supports direct expenditures for those services.
- c. The League opposes any restriction on the grantees' retention or use of interest earned on grant funds.

2. Maintaining the Integrity of Objective Project and Program Ranking Processes.

The League supports maintaining the integrity of objective state grant ranking processes, developed in cooperation with the legislature, municipalities and school districts. Such objective ranking processes include Capital Project Matching Grants, School Construction Grants, and Water and Sewer Construction Grants. Rather than substitute projects at the legislative level, the League supports revision of the prioritization criteria, as appropriate, to best reflect the needs of Alaskans.

C. LOCAL TAXES

1. Tax Levying Authority:

The League opposes any action that would diminish the existing statutory authority of local governments to raise needed revenues through the levy of taxes. The League opposes any efforts by the state that would reduce local tax bases or adversely affect the marketability of municipal bonds. The League supports legislation to remove the prohibition in AS 4.21.010. (c) that prevents local voters from approving a special tax on alcohol.



25th Alaska State Legislature House Special Committee on Ways & Means

CS House Bill 125 (W&M) Sectional Analysis

Chair:

Rep. Mike Hawker
Capitol Room 502
465-4949

Vice-Chair:

Rep. Anna Fairclough
Capitol Room 411
465-3777

Members:

Rep. Bob Roses
Capitol Room 416
465-4939

Rep. Paul Seaton
Capitol Room 102
465-2689

Rep. Peggy Wilson
Capitol Room 403
465-3824

Rep. Sharon Cissna
Capitol Room 420
465-3875

Rep. Max Gruenberg
Capitol Room 110
465-4940

Committee Aide:

Juli Lucky
465-6587 direct
465-4979 fax

Short Title: Long-Range Fiscal Plan

- Section 1:** Makes changes to the governor's responsibilities in the Executive Budget Act (EBA). Deletes reference to a "financial plan" which isn't currently prepared and requires submission of a "fiscal plan" concurrently with the budget, except during a governor's first term in office. Describes what is required in the fiscal plan and provides guidelines for optional recommendations and components of the plan.
- Section 2:** Conforming amendment to AS 37.07.020(c).
- Section 3:** Conforming amendment to AS 37.07.040, relating to the duties of the office of management and budget.
- Section 4:** Conforming amendment to AS 37.07.060, relating to the governor's budget recommendations and presentation; clarifies what should be included in a first three years of the six year capital plan for a new building, new facility or major addition.
- Section 5:** Outlines the legislative response to the fiscal plan: the presiding officers of each house may refer the plan to one or more committees, which would then hold at least one public hearing on the plan.
- Section 6:** Conforming amendment to AS 37.14.003(a), relating to the mental health budget.

AMENDMENT 1

Adopted
3/14/07

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CS HB 125 (W&M)

1 Page 3, lines 12-17,

2 Delete all material

3 Insert "(1) assist the governor in meeting the requirements of AS 37.07.020 [THE
4 PREPARATION AND EXPLANATION OF THE PROPOSED COMPREHENSIVE
5 PROGRAM AND FINANCIAL PLAN], including the coordination and analysis of state
6 agency goals and objectives, plans, and budget requests;

7

8 Page 5, line 1, following "financial plans"

9 Insert "prepared in accordance with AS 37.07.050"

10

11 Page 5, line 29, following "facility"

12 Delete "scheduled for the first three years of the plan"

13

14 Page 7, lines 12-17

15 Delete all material

16 Insert "(a) [THE GOVERNOR SHALL, AT THE TIME THE GOVERNOR SUBMITS
17 THE PROPOSED COMPREHENSIVE OPERATING AND CAPITAL
18 IMPROVEMENTS PROGRAM, AND FINANCIAL PLAN UNDER AS 37.07.060(B)]
19 At the time the governor submits the report required under AS 37.07.060(b), the
20 governor shall submit to the legislature a separate appropriation bill limited to
21 appropriations for the state's integrated comprehensive mental health program."

2007 HOUSE FINANCE COMMITTEE VOTE SHEET

Failed 6-2

DATE: 3-14-07

Amendment: 2

MEMBER

Favor

Oppose

GARA	✓	
HAWKER		✓
JOULE	✓	
KELLY		✓
NELSON	✓	
STOLTZE		✓
THOMAS		✓
CRAWFORD	✓	
FOSTER <i>absent</i>		
CHENAULT		✓
MEYER		✓

4

6
4

Yea 6

Nay 4

HB

125

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/30/07

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 125(FIN)

HB 125 LONG-RANGE FISCAL PLAN

"An Act relating to budget planning and a fiscal plan for the State of Alaska."

and recommends:

- be replaced with SCS or CS HB 125 (FIN)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Gov					
REV	3/21/08		✓		

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	NO REC	AMEND
	ELTON	✓			
	THOMAS	✓			
	DUSEN	✓			
	WILSON	✓			
	WILSON			✓	
CO-CHAIR:		✓			
CO-CHAIR:	STERNMAN	✓			

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB 125(FIN)
() Publish Date: _____

Identifier (file name): SHB125(FIN)-DOR-TAX-1-21-0 Dept. Affected: Revenue 04
Title: Budget Planning & Long Range Fiscal Plan RDU: Taxation and Treasury
Component: Tax Division
Sponsor: House Ways and Means
Requester: House Finance Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	*	*	*	*	*	*	*	*

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-------------------------------	-----	-----	-----	-----	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	*	*	*	*	*	*	*	*

Estimate of any current year (FY2008) cost: 00

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Nels Tomlinson
Division: Tax
Approved by: Jerry Burnett
Department of Revenue

Phone: 465-5636
Date/Time: 1/18/08 11:00 AM
Date: 1/21/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSHB 125(FIN)

ANALYSIS CONTINUATION

Bill Language: This bill would require the governor to provide a long range financial plan for the state, covering projected sources " ... of funds during the succeeding 10 fiscal years. The long range fiscal plan must include sufficient details to identify significant sources of funds [Section 1 (b)(1)(A)]."

The bill also would permit the governor to include recommendations to raise revenue for operation of state government while maintaining a stable tax environment [Section 1 (b)(4)(D)].

Revenues: This bill will have no effect on revenues.

Expenditures: The additional expenditures associated with this bill are indeterminate. After consulting with the governor's Office of Management and Budget, we believe that the projections required by Section 1 (b)(1)(A) of this bill could be provided by a minor extension of our current revenue forecasts. The Department of Revenue currently produces semi-annual revenue forecasts, and the succeeding two years' detailed revenue forecasts are published in the Revenue Sources Book. The Department also publishes the succeeding ten years' forecasts of Total Unrestricted General Purpose Revenue. If the new projections can be fitted into our current framework of revenue projections, there would be no significant additional costs associated with this bill. Whether we can fit the required forecasts into our existing forecasting framework will depend upon the governor's eventual decision as to the level of accuracy and detail required.

The forecasts of potential taxes which might be required under Section 1 (b)(4)(D) are outside of the current scope of our forecasts. Detailed forecasts of the revenues and economic impacts of new taxes would require additional expenditures.

Added

RECEIVED

MAR 24 2008

25-LS0546W
Cook
3/24/08

SENATE CS FOR CS FOR HOUSE BILL NO. 125(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to budget planning and a fiscal plan for the State of Alaska."

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

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

4 (b) In addition to the budget and bills submitted under (a) of this section, the
5 governor shall submit a capital improvements program [AND FINANCIAL PLAN]
6 covering the succeeding six fiscal years. The governor shall also submit a fiscal
7 plan with estimates of significant sources and uses of funds for the succeeding 10
8 fiscal years. The fiscal plan

9 (1) must include sufficient details to identify

10 (A) significant sources of funds;

11 (B) significant uses of funds, including lump sum
12 projections of

13 (i) operating expenditures;

14 (ii) capital expenditures;

15 (iii) debt service expenditures;

1 (iv) fund capitalizations;

2 (v) appropriations of income of the Alaska
3 permanent fund (art. IX, sec. 15, Constitution of the State of
4 Alaska), if any;

5 (2) must balance sources and uses of funds held while providing
6 for essential state services and protecting the economic stability of the state;

7 (3) must include projected balances of significant funds held in
8 separate accounts, including the budget reserve fund (art. IX, sec. 17,
9 Constitution of the State of Alaska), the public education fund (AS 14.17.300),
10 and the Alaska capital income fund (AS 37.05.565);

11 (4) must set out significant assumptions used in the projections
12 with sufficient detail to enable the legislature to rely on the fiscal plan in
13 understanding, evaluating, and resolving issues of state budgeting, including
14 information that supports major areas of operating increases, such as population
15 demographics that affect the need for particular government services.

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

17 (c) Proposed expenditures may not exceed estimated revenue for the
18 succeeding fiscal year. The expenditures proposed in the six-year capital
19 improvements program [AND FINANCIAL PLAN] may not exceed the estimated
20 revenue and bond authorizations passed and proposed.

21 * Sec. 3. AS 37.07.040 is amended to read:

22 Sec. 37.07.040. Office of management and budget. The Alaska office of
23 management and budget shall

24 (1) assist the governor in meeting the requirements of AS 37.07.020
25 [THE PREPARATION AND EXPLANATION OF THE PROPOSED
26 COMPREHENSIVE PROGRAM AND FINANCIAL PLAN], including the
27 coordination and analysis of state agency goals and objectives, plans, and budget
28 requests;

29 (2) prepare for submission to the governor an annually updated six-
30 year capital improvements program and the proposed capital improvements budget for
31 the coming fiscal year, the latter to include individual project justification with

1 documentation of estimated project cost;

2 (3) develop procedures to produce the information needed for effective
3 policy decision making, including procedures to provide for the dissemination of
4 information about plans, programs, and budget requests to be included in the annual
5 budget and opportunity for public review and comment during the period of budget
6 preparation;

7 (4) assist state agencies in their statement of goals and objectives to
8 achieve, among other things, the legislature's mission and desired results, preparation
9 of plans, assessments of the extent to which missions and desired results have been
10 achieved, budget requests, and reporting of program performance; all documents
11 forwarded by the office to a state agency containing instructions for the preparation of
12 program plans and budget requests and the reporting of program performance are
13 public information after the date they are forwarded;

14 (5) administer its responsibilities under the program execution
15 provisions of this chapter so that the policy decisions and budget determinations of the
16 governor and the legislature are implemented;

17 (6) provide the legislative finance division with the budget information
18 it may request;

19 (7) provide the legislative finance division with an advance copy of the
20 governor's budget workbooks at least seven days before the legislature convenes in a
21 regular session;

22 (8) prepare the proposed capital improvements budget for the coming
23 fiscal year evaluating both state and local requests from the standpoint of need, equity,
24 and priorities of the jurisdiction; other factors such as project amounts, population,
25 local financial match, federal funds being used for local match, municipality or
26 unincorporated community acceptance of the facility, and all associated costs of the
27 facility may be considered;

28 (9) for each department in the executive branch, report to the
29 legislature by the 45th day of each regular session the amount of money appropriated
30 to the department that is expected to lapse into the general fund at the end of the
31 current fiscal year;

1 (10) establish and administer a state agency program performance
2 management system involving planning, performance budgeting, performance
3 measurement, and program evaluation; the office shall ensure that information
4 generated under this system is useful for managing and improving the efficiency and
5 effectiveness of agency operations.

6 * Sec. 4. AS 37.07 is amended by adding a new section to read:

7 **Sec. 37.07.045. Debt affordability analysis.** The Department of Revenue shall
8 prepare a report that includes an inventory of state bonded debt, an estimate of state
9 bonded debt that will be acquired within the next three years, and an evaluation of
10 debt affordability. The report must conform to rating agency requirements for a debt
11 affordability study. By January 31 each year, the report must be provided to the
12 legislature for use in budget planning and made available to the public.

13 * Sec. 5. AS 37.07.060 is amended to read:

14 **Sec. 37.07.060. Governor's recommendation.** (a) The governor shall
15 formulate the operating and capital budget, capital improvements program,
16 [PROGRAMS] and fiscal plan [FINANCIAL PLANS] required to be recommended
17 to the legislature by AS 37.07.020 after considering the state agency proposed
18 program and financial plans prepared in accordance with AS 37.07.050, and other
19 programs and alternatives that the governor considers appropriate. The plans must
20 include the governor's recommended missions and results, recommended strategies to
21 implement the missions and results, recommended measures for determining whether
22 the missions and desired results are achieved, including an assessment of whether
23 prior year missions and desired results have been achieved, recommended operating
24 program for the succeeding fiscal year, recommended capital improvements program
25 for the succeeding six fiscal years, recommended programs for the upgrading of public
26 buildings and facilities prepared in accordance with AS 35.10.015, and recommended
27 revenue measures to support the programs.

28 (b) The governor shall present the proposed comprehensive operating and
29 capital improvements programs, and fiscal plan if it is required under
30 AS 37.07.020(b), [FINANCIAL PLANS] in a message to a joint session of the
31 legislature before the fourth legislative day following the convening of the legislature

1 in regular session. The message must be accompanied by an explanatory report that
2 summarizes recommended goals, plans, and appropriations. The report must contain

3 (1) the coordinated program goals and objectives that [WHICH] the
4 governor recommends to guide the decisions on the proposed program plans and
5 budget appropriations;

6 (2) the governor's operating program and budget recommendations for
7 the succeeding fiscal year organized by agency as required by AS 37.07.020(a);

8 (3) the governor's capital improvements program and budget
9 recommendations for the succeeding fiscal year and capital improvements program for
10 the succeeding six fiscal years, which must include

11 (A) a description of each project, its estimated cost for the year
12 construction is to start and the estimated cost of the project adjusted for
13 inflation over the estimated period of construction, and the source of financing
14 for the project; the project description for a new building or a new facility or
15 for a major addition to a building or facility should include a site plan,
16 preliminary drawings, and architect's or engineer's total cost estimate for the
17 project;

18 (B) a summary of projects previously authorized and not yet
19 completed;

20 (C) a summary, listed by agency, of all previously proposed
21 projects that have been deferred beyond the six years covered by the plan and
22 the year in which construction has been rescheduled to begin;

23 (D) a forecast of the debt structure of the state and the various
24 debt ratios over the life of the state's bonds outstanding, bonds authorized and
25 to be issued, and bond authorizations recommended in the plan;

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

28 (F) bond election bills to authorize the bonds required to fund
29 the projects scheduled for the first three years of the plan;

30 (G) projections of population of the state and its regions and
31 communities;

1 (H) economic data and projections necessary for the evaluation
2 of the plan;

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

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

7 (6) any additional information that will facilitate understanding of the
8 governor's proposed programs and financial plans by the legislature and the public.

9 * Sec. 6. AS 37.07.070 is amended to read:

10 Sec. 37.07.070. Legislative review. The legislature shall consider the
11 governor's proposed comprehensive operating and capital improvements programs,
12 and fiscal plan if it is required ~~under~~ AS 37.07.020(b) [FINANCIAL PLANS],
13 evaluate alternatives to the plans, make program selections among the various
14 alternatives, and determine, subject to available revenues, the level of funding required
15 to support authorized state services. The presiding officer of each house may refer
16 the fiscal plan to one or more committees. If the fiscal plan is referred, the first
17 committee of referral shall hold at least one hearing on it. The operating and
18 capital budgets of each agency shall be separately reviewed. During each regular
19 session of the legislature, legislative review of the governor's supplemental
20 appropriation bills and the governor's budget amendments are [SHALL BE] governed
21 by the following time limits:

22 (1) requests by the governor for supplemental appropriations for state
23 agency operating and capital budgets for the current fiscal year may be introduced by
24 the rules committee only through the 15th legislative day;

25 (2) requests by the governor for budget amendments to state agency
26 budgets for the budget fiscal year may be received and reviewed by the finance
27 committees only through the 30th legislative day.

28 * Sec. 7. AS 37.14.003(a) is amended to read:

29 (a) At [THE GOVERNOR SHALL, AT] the time the governor submits the
30 report [PROPOSED COMPREHENSIVE OPERATING AND CAPITAL
31 IMPROVEMENTS PROGRAM AND FINANCIAL PLAN] under AS 37.07.060(b),

1
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the governor shall submit to the legislature a separate appropriation bill limited to appropriations for the state's integrated comprehensive mental health program.

failed 1-5
~~3/25/08~~
3/25/08

AMENDMENT |

OFFERED IN: The Senate Finance Committee

TO: Senate CS for CS for HB 125(FIN)

25-LS0546\N

OFFERED BY: Senator Fred Dyson

1 Page 1, line 7:

2 Estimates of significant sources and uses of funds for the succeeding 15 [10] fiscal

3

4 Page 4, Line 14 through Page 6, Line 8, is amended to read:

5 **Sec. 37.07.060. Governor's recommendation.** (a) The governor shall formulate
6 the operating and capital budget, capital improvements program, [PROGRAMS] and
7 fiscal plan [FINANCIAL PLANS] required to be recommended to the legislature by AS
8 37.07.020 after considering the state agency proposed program and financial plans
9 prepared in accordance with AS 37.07.050, and other programs and alternatives that
10 the governor considers appropriate. The governor's recommended plans must include

11 (1) the governor's recommended missions and desired results;

12 (2) [.] recommended strategies to implement the missions and desired
13 results;

14 (3) [.] recommended measures for determining whether the missions and desired
15 results are achieved, including an assessment of whether adequate progress has been
16 made toward achieving prior year missions and desired results [HAVE BEEN
17 ACHIEVED];

18 (4) a recommended operating program for the succeeding fiscal year;

19 (5) a [.] recommended capital improvements program for the succeeding six fiscal
20 years;

21 (6) [.] recommended programs for the upgrading of public buildings and facilities
22 prepared in accordance with AS 35.10.015, including a proposed time to begin each of
23 the upgrading projects;

24 (7) [AND] recommended revenue measures to support the programs;

1 (8) a projection of revenue for the succeeding 15 years categorized by each
2 major source of revenue and an explanation of any significant changes from
3 previous projections;

4 (9) projections of the expenditures for the succeeding 15 years listed by each
5 major area of expenditure and an explanation of any significant changes from
6 previous projections;

7 (10) the assumptions on which the 15-year projections are made;

8 (11) proposed actions for increasing revenue or cutting expenditures as
9 necessary to ensure expenditures do not exceed revenue;

10 (12) changes in strategy or new strategies needed as a result of previously
11 unanticipated changes in expenditures, revenue, or unsuccessful strategies;

12 (13) an analysis of state debt, identification of the target maximum debt
13 amount, and, if debt is projected to exceed the target maximum, strategies to reduce
14 state debt, satisfy outstanding bonds, and meet deferred maintenance needs;

15 (14) the status of unfunded state liabilities, a trend analysis for the liabilities,
16 and the strategy for funding the liabilities;

17 (15) an analysis of anticipated changes in federal funding and the plan for
18 accommodating the reduced funding;

19 (16) the target minimum level of funds in the budget reserve fund (art. IX,
20 sec. 17, Constitution of the State of Alaska) and, if the amount is less than the target
21 minimum level, the target level of repayments to the budget reserve fund together
22 with the plan for achieving the repayments;

23 (17) the target level of funding for an emergency fund to address state
24 disasters and the plan for achieving the funding;

25 (18) a plan for using surplus state revenue if there is any;

26 (19) actions the legislature must take for the state's financial strategy to
27 succeed and the time each action must be taken.

28
29 Page 5, Line 1: AS 37.07.060(b) is amended as follows:

30 Preceded [ACCOMPANIED]

31

1/13/08



25th Alaska State Legislature

House Special Committee on Ways & Means

House Bill 125

Sponsor Statement

Current Version: CS HB 125 (FIN)

Short Title: Long-Range Fiscal Plan

Chair:

Rep. Mike Hawker
Capitol Room 502
465-4949

Vice-Chair:

.. . Anna Fairclough
Capitol Room 411
465-3777

Members:

Rep. Bob Roses
Capitol Room 416
465-4939

Rep. Paul Seaton
Capitol Room 102
465-2689

Rep. Peggy Wilson
Capitol Room 403
465-3824

Rep. Sharon Cissna
Capitol Room 420
465-3875

Rep. Max Gruenberg
Capitol Room 110
465-4940

Committee Aide:

Juli Lucky
465-6587 direct
465-4979 fax

House Bill 125 clarifies the existing duty imposed on the Governor by the Executive Budget Act (EBA) to annually prepare a "financial plan." The EBA contains no further definition of the financial plan.

Perhaps due to the vagueness of the EBA, the financial plan has not been prepared in recent years, if eve . The Director of the Office of Management and Budget (OMB) reports that "OMB has not prepared a formal plan for some time..."

HB 125 requires that, in addition to the annual budget, the Governor shall submit a fiscal plan consisting of estimates of significant sources and uses of funds for the succeeding 10 fiscal years. A newly elected governor would not be required to submit a plan during his or her first year in office. The fiscal plan must include only enough detail to identify significant sources of funds and lump-sum projections of significant uses of funds, such as for operating expenditures and capital expenditures. The plan does not require or imply adoption of any policy, only the estimation of future cash flows and identification of means to keep sources and uses of funds in balance over time.

The plan must also include projected balances of significant funds held in separate accounts, such as the constitutional budget reserve, the public education fund and the Alaska capital income fund.

HB 125 also allows, but does not require, the Governor to include fiscal policy recommendations in the fiscal plan. The presiding officers of the legislature may refer the plan to committees for public hearing. The purpose of HB 125 is to require a simple and efficient process that puts the broadest picture of state expenditure and revenue trends in perspective and stimulates the discussion and development of specific long-range fiscal policies.

The baseline fiscal analysis provided under HB 125 is the necessary prerequisite for long-range fiscal decision making as well as a device to put current budgets in context, encouraging short-term discipline and responsibility.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB 125(FIN)
() Publish Date: _____

Identifier (file name): CSHB125(FIN)-GOV-OMB-1-21-08
Title: Long-range State fiscal plan
Dept. Affected: All
RDU: _____
Component: _____
Sponsor: House Special Committee on Ways and Means
Requester: Senate Finance Committee
Component Number: _____

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services	89.3		89.3	89.3	89.3	89.3	89.3	89.3
Travel								
Contractual								
Supplies								
Equipment	1.5							
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	90.8		89.3	89.3	89.3	89.3	89.3	89.3

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES ()								
-------------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	90.8		89.3	89.3	89.3	89.3	89.3	89.3
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	90.8		89.3	89.3	89.3	89.3	89.3	89.3

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time	1.0		1.0	1.0	1.0	1.0	1.0
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill would amend the Executive Budget Act to require the Governor's Office to prepare an annual 10 year long-range fiscal plan.

While the Office of Management and Budget routinely provides fiscal information on various topics to the legislature, preparation of a formal annual 10 year fiscal plan would require additional staff. At one time, OMB had a research and planning staff of 13 people to conduct this type of work. However, budget reductions over the years have reduced the research and planning staff to two positions, which cover a broad range of duties. We expect this work to require one new full-time position. The total cost for this position at a Range 21A, including benefits, would be \$89.3 thousand per year. A computer and other equipment will cost \$1.5 thousand in the first year.

Prepared by: Jack Kreinheder, Senior Analyst
Division: Office of Management and Budget
Approved by: Karen J. Rehfeld, Director
Office of Management and Budget

Phone: 465-4676
Date/Time: 1/21/08 3:42 PM
Date: 1/21/2008

**SENATE FINANCE
COMMITTEE
ROLL CALL**

failed 1-5

DATE: 3-25-08

Amendment: 1 to HB125

MEMBER

Favor

Oppose

SEN. THOMAS		✓
SEN. DYSON	✓	
SEN. ELTON		✓
SEN. HUGGINS		<i>abstain</i>
SEN. OLSON		✓
SEN. HOFFMAN		✓
SEN. STEDMAN		✓

YEA 1

NAY 5

*adopted
3/25/08*

March 27 2008

25-LS0546N
Cook
3/24/08

SENATE CS FOR CS FOR HOUSE BILL NO. 125(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to budget planning and a fiscal plan for the State of Alaska."

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

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

4 (b) In addition to the budget and bills submitted under (a) of this section, the
5 governor shall submit a capital improvements program [AND FINANCIAL PLAN]
6 covering the succeeding six fiscal years. The governor shall also submit a fiscal
7 plan with estimates of significant sources and uses of funds for the succeeding 10
8 fiscal years. The fiscal plan

9 (1) must include sufficient details to identify

10 (A) significant sources of funds;

11 (B) significant uses of funds, including lump sum
12 projections of

13 (i) operating expenditures;

14 (ii) capital expenditures;

15 (iii) debt service expenditures;

1 (iv) fund capitalizations;

2 (v) appropriations of income of the Alaska
3 permanent fund (art. IX, sec. 15, Constitution of the State of
4 Alaska), if any;

5 (2) must balance sources and uses of funds held while providing
6 for essential state services and protecting the economic stability of the state;

7 (3) must include projected balances of significant funds held in
8 separate accounts, including the budget reserve fund (art. IX, sec. 17,
9 Constitution of the State of Alaska), the public education fund (AS 14.17.300),
10 and the Alaska capital income fund (AS 37.05.565);

11 (4) must set out significant assumptions used in the projections
12 with sufficient detail to enable the legislature to rely on the fiscal plan in
13 understanding, evaluating, and resolving issues of state budgeting, including
14 information that supports major areas of operating increases, such as population
15 demographics that affect the need for particular government services.

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

17 (c) Proposed expenditures may not exceed estimated revenue for the
18 succeeding fiscal year. The expenditures proposed in the six-year capital
19 improvements program [AND FINANCIAL PLAN] may not exceed the estimated
20 revenue and bond authorizations passed and proposed.

21 * Sec. 3. AS 37.07.040 is amended to read:

22 Sec. 37.07.040. Office of management and budget. The Alaska office of
23 management and budget shall

24 (1) assist the governor in meeting the requirements of AS 37.07.020
25 [THE PREPARATION AND EXPLANATION OF THE PROPOSED
26 COMPREHENSIVE PROGRAM AND FINANCIAL PLAN], including the
27 coordination and analysis of state agency goals and objectives, plans, and budget
28 requests;

29 (2) prepare for submission to the governor an annually updated six-
30 year capital improvements program and the proposed capital improvements budget for
31 the coming fiscal year, the latter to include individual project justification with

1 documentation of estimated project cost;

2 (3) develop procedures to produce the information needed for effective
3 policy decision making, including procedures to provide for the dissemination of
4 information about plans, programs, and budget requests to be included in the annual
5 budget and opportunity for public review and comment during the period of budget
6 preparation;

7 (4) assist state agencies in their statement of goals and objectives to
8 achieve, among other things, the legislature's mission and desired results, preparation
9 of plans, assessments of the extent to which missions and desired results have been
10 achieved, budget requests, and reporting of program performance; all documents
11 forwarded by the office to a state agency containing instructions for the preparation of
12 program plans and budget requests and the reporting of program performance are
13 public information after the date they are forwarded;

14 (5) administer its responsibilities under the program execution
15 provisions of this chapter so that the policy decisions and budget determinations of the
16 governor and the legislature are implemented;

17 (6) provide the legislative finance division with the budget information
18 it may request;

19 (7) provide the legislative finance division with an advance copy of the
20 governor's budget workbooks at least seven days before the legislature convenes in a
21 regular session;

22 (8) prepare the proposed capital improvements budget for the coming
23 fiscal year evaluating both state and local requests from the standpoint of need, equity,
24 and priorities of the jurisdiction; other factors such as project amounts, population,
25 local financial match, federal funds being used for local match, municipality or
26 unincorporated community acceptance of the facility, and all associated costs of the
27 facility may be considered;

28 (9) for each department in the executive branch, report to the
29 legislature by the 45th day of each regular session the amount of money appropriated
30 to the department that is expected to lapse into the general fund at the end of the
31 current fiscal year;

1 (10) establish and administer a state agency program performance
2 management system involving planning, performance budgeting, performance
3 measurement, and program evaluation; the office shall ensure that information
4 generated under this system is useful for managing and improving the efficiency and
5 effectiveness of agency operations.

6 * Sec. 4. AS 37.07 is amended by adding a new section to read:

7 Sec. 37.07.045. Debt affordability analysis. The Department of Revenue shall
8 prepare a report that includes an inventory of state bonded debt, an estimate of state
9 bonded debt that will be acquired within the next three years, and an evaluation of
10 debt affordability. The report must conform to rating agency requirements for a debt
11 affordability study. By January 31 each year, the report must be provided to the
12 legislature for use in budget planning and made available to the public.

13 * Sec. 5. AS 37.07.060 is amended to read:

14 Sec. 37.07.060. Governor's recommendation. (a) The governor shall
15 formulate the operating and capital budget, capital improvements program,
16 [PROGRAMS] and fiscal plan [FINANCIAL PLANS] required to be recommended
17 to the legislature by AS 37.07.020 after considering the state agency proposed
18 program and financial plans prepared in accordance with AS 37.07.050, and other
19 programs and alternatives that the governor considers appropriate. The plans must
20 include the governor's recommended missions and results, recommended strategies to
21 implement the missions and results, recommended measures for determining whether
22 the missions and desired results are achieved, including an assessment of whether
23 prior year missions and desired results have been achieved, recommended operating
24 program for the succeeding fiscal year, recommended capital improvements program
25 for the succeeding six fiscal years, recommended programs for the upgrading of public
26 buildings and facilities prepared in accordance with AS 35.10.015, and recommended
27 revenue measures to support the programs.

28 (b) The governor shall present the proposed comprehensive operating and
29 capital improvements programs, and fiscal plan if it is required under
30 AS 37.07.020(b), [FINANCIAL PLANS] in a message to a joint session of the
31 legislature before the fourth legislative day following the convening of the legislature

1 in regular session. The message must be accompanied by an explanatory report that
2 summarizes recommended goals, plans, and appropriations. The report must contain

3 (1) the coordinated program goals and objectives that [WHICH] the
4 governor recommends to guide the decisions on the proposed program plans and
5 budget appropriations;

6 (2) the governor's operating program and budget recommendations for
7 the succeeding fiscal year organized by agency as required by AS 37.07.020(a);

8 (3) the governor's capital improvements program and budget
9 recommendations for the succeeding fiscal year and capital improvements program for
10 the succeeding six fiscal years, which must include

11 (A) a description of each project, its estimated cost for the year
12 construction is to start and the estimated cost of the project adjusted for
13 inflation over the estimated period of construction, and the source of financing
14 for the project; the project description for a new building or a new facility or
15 for a major addition to a building or facility should include a site plan,
16 preliminary drawings, and architect's or engineer's total cost estimate for the
17 project;

18 (B) a summary of projects previously authorized and not yet
19 completed;

20 (C) a summary, listed by agency, of all previously proposed
21 projects that have been deferred beyond the six years covered by the plan and
22 the year in which construction has been rescheduled to begin;

23 (D) a forecast of the debt structure of the state and the various
24 debt ratios over the life of the state's bonds outstanding, bonds authorized and
25 to be issued, and bond authorizations recommended in the plan;

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

28 (F) bond election bills to authorize the bonds required to fund
29 the projects scheduled for the first three years of the plan;

30 (G) projections of population of the state and its regions and
31 communities;

1 (H) economic data and projections necessary for the evaluation
2 of the plan;

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

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

7 (6) any additional information that will facilitate understanding of the
8 governor's proposed programs and financial plans by the legislature and the public.

9 * Sec. 6. AS 37.07.070 is amended to read:

10 Sec. 37.07.070. Legislative review. The legislature shall consider the
11 governor's proposed comprehensive operating and capital improvements programs,
12 and fiscal plan if it is required under AS 37.07.020(b) [FINANCIAL PLANS],
13 evaluate alternatives to the plans, make program selections among the various
14 alternatives, and determine, subject to available revenues, the level of funding required
15 to support authorized state services. The presiding officer of each house may refer
16 the fiscal plan to one or more committees. If the fiscal plan is referred, the first
17 committee of referral shall hold at least one hearing on it. The operating and
18 capital budgets of each agency shall be separately reviewed. During each regular
19 session of the legislature, legislative review of the governor's supplemental
20 appropriation bills and the governor's budget amendments are [SHALL BE] governed
21 by the following time limits:

22 (1) requests by the governor for supplemental appropriations for state
23 agency operating and capital budgets for the current fiscal year may be introduced by
24 the rules committee only through the 15th legislative day;

25 (2) requests by the governor for budget amendments to state agency
26 budgets for the budget fiscal year may be received and reviewed by the finance
27 committees only through the 30th legislative day.

28 * Sec. 7. AS 37.14.003(a) is amended to read:

29 (a) At [THE GOVERNOR SHALL, AT] the time the governor submits the
30 report [PROPOSED COMPREHENSIVE OPERATING AND CAPITAL
31 IMPROVEMENTS PROGRAM AND FINANCIAL PLAN] under AS 37.07.060(b),

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the governor shall submit to the legislature a separate appropriation bill limited to appropriations for the state's integrated comprehensive mental health program.



RECEIVED

JAN 22 2008

January 22, 2008

The Honorable Lynan Hoffman, Co-Chair
Senate Finance Committee
Alaska State Capitol, Room 518
Juneau, AK 99801-1182

The Honorable Bert Stedman, Co-Chair
Senate Finance Committee
Alaska State Capitol, Room 516
Juneau, AK 99801-1182

RE: HB 125 (House Special Committee on Ways and Means)--Support

Dear Co-Chairs Hoffman and Stedman:

On behalf of the members of AARP in Alaska, we strongly encourage you and your colleagues on the Senate Finance Committee to support HB 125, authored by the House Special Committee on Ways and Means.

HB 125 is a significant effort in establishing a long-range fiscal plan for Alaska.

HB 125 is an ambitious bill which, we hope, will provide some economic stability and guidance for our elected officials and our citizens.

When AARP considers our state budget, we follow a set of basic principles:

- Budget policy should promote economic growth and stability.
- Fairness across generations should be an important goal in formulating budget policy.
- Government should strive for balance during both economic expansion and contraction.
- Flexibility should be maintained and vulnerable populations (of any age) should be protected.
- Budget policymakers should be mindful of how their decisions impact other levels of government.

AARP believes that states should provide localities with the funding they need to meet their obligations. Passing responsibilities down to lower levels of government should be undertaken primarily to place services closer to the people being served and to maximize administrative efficiencies, not as a way to reduce costs. We do not support placing unfunded mandates on local government.

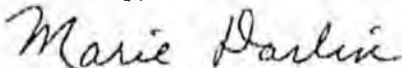
Many AARP members lived in Alaska when we had a state income tax. Many of our members live in communities that currently have a sales tax. Many have lived in other states that had both income and sales taxes. We understand that Alaska's fiscal situation, without a state income tax or a state sales tax, has often been subject to oil revenue going up and down. Hopefully HB 125 will help our elected officials and our citizens have a more accurate reading of Alaska's fiscal status and what to expect in the future.

AARP recommends an "AYE" vote on HB 125.

Should you have any questions about our position, please feel free to contact me (586-3637) or Patrick Luby, AARP Advocacy Director (907-762-3314).

Thank you for your consideration.

Sincerely,



Marie Darlin, Coordinator
AARP Capital City Task Force
415 Willoughby Avenue, Apt. 506
Juneau, AK 99801
586-3637 (voice)
463-3580 (fax)

CC: Vice-Chair Charlie Huggins
Senator Kim Elton
Senator Donald Olson
Senator Joe Thomas
Senator Fred Dyson
Representative Mike Hawker

~~Adopted
1/23/08~~

RECEIVED

JAN 21 2008

25-LS0546V
Cook
1/21/08

SENATE CS FOR CS FOR HOUSE BILL NO. 125(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

N/A

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to budget planning and a fiscal plan for the State of Alaska."

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

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

4 (b) In addition to the budget and bills submitted under (a) of this section, the
5 governor shall submit a capital improvements program [AND FINANCIAL PLAN]
6 covering the succeeding six fiscal years. Except during the first year of the
7 governor's first term of office, the governor shall also submit a fiscal plan with
8 estimates of significant sources and uses of funds for the succeeding 10 fiscal
9 years. The fiscal plan

10 (1) must include sufficient details to identify

11 (A) significant sources of funds;

12 (B) significant uses of funds, including lump sum
13 projections of

14 (i) operating expenditures;

15 (ii) capital expenditures;

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(iii) debt service expenditures;

(iv) fund capitalizations;

(v) appropriations of income of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

(2) must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state;

(3) must include projected balances of significant funds held in separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska), the public education fund (AS 14.17.300), and the Alaska capital income fund (AS 37.05.565).

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

(c) Proposed expenditures may not exceed estimated revenue for the succeeding fiscal 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. 3. 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 meeting the requirements of AS 37.07.020 [THE PREPARATION AND EXPLANATION OF THE PROPOSED COMPREHENSIVE PROGRAM AND FINANCIAL PLAN], including the coordination and analysis of state agency goals and objectives, plans, and budget requests;

(2) prepare for submission to the governor an annually updated six-year capital improvements program and the proposed capital improvements budget for the 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 requests to be included in the annual

1 budget and opportunity for public review and comment during the period of budget
2 preparation;

3 (4) assist state agencies in their statement of goals and objectives to
4 achieve, among other things, the legislature's mission and desired results, preparation
5 of plans, assessments of the extent to which missions and desired results have been
6 achieved, budget requests, and reporting of program performance; all documents
7 forwarded by the office to a state agency containing instructions for the preparation of
8 program plans and budget requests and the reporting of program performance are
9 public information after the date they are forwarded;

10 (5) administer its responsibilities under the program execution
11 provisions of this chapter so that the policy decisions and budget determinations of the
12 governor and the legislature are implemented;

13 (6) provide the legislative finance division with the budget information
14 it may request;

15 (7) provide the legislative finance division with an advance copy of the
16 governor's budget workbooks at least seven days before the legislature convenes in a
17 regular session;

18 (8) prepare the proposed capital improvements budget for the coming
19 fiscal year evaluating both state and local requests from the standpoint of need, equity,
20 and priorities of the jurisdiction; other factors such as project amounts, population,
21 local financial match, federal funds being used for local match, municipality or
22 unincorporated community acceptance of the facility, and all associated costs of the
23 facility may be considered;

24 (9) for each department in the executive branch, report to the
25 legislature by the 45th day of each regular session the amount of money appropriated
26 to the department that is expected to lapse into the general fund at the end of the
27 current fiscal year;

28 (10) establish and administer a state agency program performance
29 management system involving planning, performance budgeting, performance
30 measurement, and program evaluation; the office shall ensure that information
31 generated under this system is useful for managing and improving the efficiency and

visions

#3

1 effectiveness of agency operations.

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

3 Sec. 37.07.060. Governor's recommendation. (a) The governor shall
4 formulate the operating and capital budget, capital improvements program,
5 [PROGRAMS] and fiscal plan [FINANCIAL PLANS] required to be recommended
6 to the legislature by AS 37.07.020 after considering the state agency proposed
7 program and financial plans prepared in accordance with AS 37.07.050, and other
8 programs and alternatives that the governor considers appropriate. The plans must
9 include the governor's recommended missions and results, recommended strategies to
10 implement the missions and results, recommended measures for determining whether
11 the missions and desired results are achieved, including an assessment of whether
12 prior year missions and desired results have been achieved, recommended operating
13 program for the succeeding fiscal year, recommended capital improvements program
14 for the succeeding six fiscal years, recommended programs for the upgrading of public
15 buildings and facilities prepared in accordance with AS 35.10.015, and recommended
16 revenue measures to support the programs.

17 (b) The governor shall present the proposed comprehensive operating and
18 capital improvements programs, and fiscal plan if it is required under
19 AS 37.07.020(b), [FINANCIAL PLANS] in a message to a joint session of the
20 legislature before the fourth legislative day following the convening of the legislature
21 in regular session. The message must be accompanied by an explanatory report that
22 summarizes recommended goals, plans, and appropriations. The report must contain

23 (1) the coordinated program goals and objectives that [WHICH] the
24 governor recommends to guide the decisions on the proposed program plans and
25 budget appropriations;

26 (2) the governor's operating program and budget recommendations for
27 the succeeding fiscal year organized by agency as required by AS 37.07.020(a);

28 (3) the governor's capital improvements program and budget
29 recommendations for the succeeding fiscal year and capital improvements program for
30 the succeeding six fiscal years, which must include

31 (A) a description of each project, its estimated cost for the year

1 construction is to start and the estimated cost of the project adjusted for
2 inflation over the estimated period of construction, and the source of financing
3 for the project; the project description for a new building or a new facility or
4 for a major addition to a building or facility should include a site plan,
5 preliminary drawings, and architect's or engineer's total cost estimate for the
6 project;

7 (B) a summary of projects previously authorized and not yet
8 completed;

9 (C) a summary, listed by agency, of all previously proposed
10 projects that have been deferred beyond the six years covered by the plan and
11 the year in which construction has been rescheduled to begin;

12 (L) a forecast of the debt structure of the state and the various
13 debt ratios over the life of the state's bonds outstanding, bonds authorized and
14 to be issued, and bond authorizations recommended in the plan;

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

17 (F) bond election bills to authorize the bonds required to fund
18 the projects scheduled for the first three years of the plan;

19 (G) projections of population of the state and its regions and
20 communities;

21 (H) economic data and projections necessary for the evaluation
22 of the plan;

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

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

27 (6) any additional information that will facilitate understanding of the
28 governor's proposed programs and financial plans by the legislature and the public.

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

30 **Sec. 37.07.070.** Legislative review. The legislature shall consider the
31 governor's proposed comprehensive operating and capital improvements programs,

1 and fiscal plan if it is required under AS 37.07.020(b) [FINANCIAL PLANS],
2 evaluate alternatives to the plans, make program selections among the various
3 alternatives, and determine, subject to available revenues, the level of funding required
4 to support authorized state services. The presiding officer of each house may refer
5 the fiscal plan to one or more committees. If the fiscal plan is referred, the first
6 committee of referral shall hold at least one hearing on it. The operating and
7 capital budgets of each agency shall be separately reviewed. During each regular
8 session of the legislature, legislative review of the governor's supplemental
9 appropriation bills and the governor's budget amendments are [SHALL BE] governed
10 by the following time limits:

11 (1) requests by the governor for supplemental appropriations for state
12 agency operating and capital budgets for the current fiscal year may be introduced by
13 the rules committee only through the 15th legislative day;

14 (2) requests by the governor for budget amendments to state agency
15 budgets for the budget fiscal year may be received and reviewed by the finance
16 committees only through the 30th legislative day.

17 * Sec. 6. AS 37.14.003(a) is amended to read:

18 (a) At [THE GOVERNOR SHALL, AT] the time the governor submits the
19 report [PROPOSED COMPREHENSIVE OPERATING AND CAPITAL
20 IMPROVEMENTS PROGRAM AND FINANCIAL PLAN] under AS 37.07.060(b),
21 the governor shall submit to the legislature a separate appropriation bill limited to
22 appropriations for the state's integrated comprehensive mental health program.

DARWIN 1-23-08

Changes to Senate Finance CS to HB 125 – Long Range Budget Plan

Change 1: Page 2, line 9, following the word "including":
Deleted, "but not limited to"



Tam Cook, in a memo dated March 15, 2007, requested that phrase to be deleted because it's unnecessary verbiage. AS 01.10.040(b) states: "When the words 'includes' or 'including' are used in a law, they shall be construed as though followed by the phrase 'but not limited to.'"

Change 2: Page 2, following line 11:
Deleted sections 4 and 5 from the previous version of the bill. These sections included a litany of recommendations for the governor to consider.



Some of the recommendations have merit, but the language is suggestive and doesn't require the governor to actually do anything. Statutes should be a mandate, not a proposal. We'll work with the sponsor and the committee to vet all proposals and see which ones should be included in law as part of a fiscal plan.

Change 3: Page 3, subsection (7), line 16, following "governor's budget workbooks"
Deleted the previous language and replaced it with current language.



This was done to conform to the new reporting dates which became law last session when the legislature passed HB 171 to accommodate a 90 day session.

Change 4: Page 6, line 13 – replaced 30th legislative day with 15th legislative day and on the same page, line 16, we replaced 45th legislative day with 30th legislative day.



Both of these changes were also done to conform to the new reporting requirements resulting from HB 171.



25th Alaska State Legislature

House Special Committee on Ways & Means

Committee Changes to HB 125

Amendments adopted in the House Special Committee on Ways & Means did the following:

Chair:

Rep. Mike Hawker
Capitol Room 502
465-4949

Vice-Chair:

Rep. Anna Fairclough
Capitol Room 411
465-3777

Members:

Rep. Bob Roses
Capitol Room 416
465-4939

Rep. Paul Seaton
Capitol Room 102
465-2689

Rep. Peggy Wilson
Capitol Room 403
465-3824

Rep. Sharon Cissna
Capitol Room 420
465-3875

Rep. Max Gruenberg
Capitol Room 110
465-4940

Committee Aide:

Juli Lucky
465-5587 direct
465-4979 fax

- Exempted a newly-elected governor from preparing a fiscal plan during his or her first year of office.
- Outlined a legislative response – the presiding officers may refer the plan to one or more committees, which would then hold a public hearing on the plan.
- Added language allowing the Governor to include reference to the materials used to formulate the plan and information on how to obtain the materials.
- Where appropriate, deleted the term “financial plan” or replaced it with the term “fiscal plan.”
- Removed “long-range” wherever it appeared before “fiscal plan.”
- Adopted new language to clarify what is expected in the plan.

Amendments adopted in the House Finance Committee did the following:

- Added the word “responsibly” in Section 1 (4)(A), where the Governor may provide recommendations regarding developing the state’s natural resources.
- Removed bill language adding a requirement for a three year plan for transportation projects. This change, requested by the department, will allow the STIP and capital project planning processes to continue as is.
- Reworded Sections 3, 4 and 6 for clarity.



25th Alaska State Legislature
House Special Committee on Ways & Means

CS House Bill 125 (FIN)
Sectional Analysis

Chair:

Rep. Mike Hawker
Capitol Room 502
465-4949

Vice-Chair:

Rep. Anna Fairclough
Capitol Room 411
465-3777

Members:

Rep. Bob Roses
Capitol Room 416
465-4939

Rep. Paul Seaton
Capitol Room 102
465-2689

Rep. Peggy Wilson
Capitol Room 403
465-3824

Rep. Sharon Cissna
Capitol Room 420
465-3875

Rep. Max Gruenberg
Capitol Room 110
465-4940

Committee Aide:

Juli Lucky
465-6587 direct
465-4979 fax

Short Title: Long-Range Fiscal Plan

- Section 1: Makes changes to the governor's responsibilities in the Executive Budget Act (EBA). Deletes reference to a "financial plan" which isn't currently prepared and requires submission of a "fiscal plan" concurrently with the budget, except during a governor's first term in office. Describes what is required in the fiscal plan and provides guidelines for optional recommendations and components of the plan.
- Section 2: Conforming amendment to AS 37.07.020(c).
- Section 3: Conforming amendment to AS 37.07.040, relating to the duties of the office of management and budget.
- Section 4: Conforming amendment to AS 37.07.060, relating to the governor's budget recommendations and presentation.
- Section 5: Outlines the legislative response to the fiscal plan: the presiding officers of each house may refer the plan to one or more committees, which would then hold at least one public hearing on the plan.
- Section 6: Conforming amendment to AS 37.14.003(a), relating to the mental health budget.

Chapter 07. Executive Budget Act.

Section

- 10. Statement of policy
- 14. Responsibilities of the legislature
- 16. Governor's primary duty
- 20. Responsibilities of the governor
- 40. Office of management and budget
- 50. Agency program and financial plans; mission statements
- 60. Governor's recommendation

Section

- 62. Capital budget
- 70. Legislative review
- 80. Program execution
- 100. Proposed supplemental or special appropriations
- 110. Interpretation of chapter
- 120. Definitions
- 130. Short title

Revisor's notes. — Enacted as AS 37.35. Renumbered in 1970.

NOTES TO DECISIONS

Cited in *International Org. of Masters v. Andrews*, 626 F. Supp. 1271 (D. Alaska 1986).

Sec. 37.07.010. Statement of policy. It is the purpose of this chapter to establish a comprehensive system for state program and financial management that furthers the capacity of the governor and legislature to plan and finance the services that they determine the state will provide for its citizens. The system must 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 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 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. (§ 1 ch 188 SLA 1970; am § 2 ch 168 SLA 1978; am §§ 1, 2 ch 2 SLA 1982)

Cross references. — For constitutional provisions as to budget, see Alaska Const., art. IX, § 12.

NOTES TO DECISIONS

Stated in *M-K Eng'g Co. v. Alaska Power Auth.*, 662 F. Supp. 303 (D. Alaska 1986).

Sec. 37.07.014. Responsibilities of the legislature. (a) To carry out its legislative power under art. II, sec. 1, Constitution of the State of Alaska, and to promote results-based government, the legislature shall issue a mission statement for each agency and the desired results the agency should achieve. The legislature may issue a separate mission statement for a subunit of an agency. A mission statement and desired results should promote the efficient, measured use of the state's resources. A mission statement

and desired results constitute policy under which an agency shall operate, and, where appropriate, the mission statement may be implemented by statute.

(b) The legislature shall provide for a budget review function that promotes results-based government. The legislature shall adopt a method of measuring results for each agency, and measurements shall be reported semi-annually by each agency to the legislature. The reports shall be used by the legislature to evaluate whether the mission and desired results for that agency or subunit of the agency are being achieved.

(c) The legislature shall analyze the comprehensive operating and capital improvements programs and financial plans recommended by the governor.

(d) To foster results-based government, to carry out the mission statements, and to obtain desired results, the legislature shall authorize the comprehensive operating and capital improvements programs and financial plans. The legislature shall allocate the state's resources for effective and efficient delivery of public services by

- (1) clearly identifying desired results;
- (2) setting priorities;
- (3) assigning accountability; and
- (4) using methods for measuring, reporting, and evaluating results.

(e) The legislature shall

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

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

(3) adopt, revise, or initiate revenue measures in order to balance the succeeding fiscal year's budget and the capital improvements section of the budget for the succeeding six years.

(f) To help fulfill the legislature's responsibilities under this section and achieve results-based government, each agency shall

(1) allocate resources to achieve the mission and desired results established by the legislature;

(2) express desired results established by the legislature and other program results in measurable terms;

(3) measure progress towards mission statements and desired results established by the legislature and other results;

(4) promote activities consistent with mission statements and desired results established by the legislature that reduce or avoid future costs;

(5) plan for the short-term and the long-term using consistent assumptions for major demographic and other trends; and

(6) require accountability at all levels for meeting program mission statements and desired results established by the legislature. (§ 1 ch 27 SLA 1998)

Sec. 37.07.016. Governor's primary duty. To carry out the executive power under art. II, sec. 1 and sec. 16, Constitution of the State of Alaska, the governor shall use the mission statements and desired results issued by the legislature as a guide to implement and execute the law. The governor shall assure that each agency complies with the mission statement and achieves the desired results identified by the legislature. (§ 1 ch 27 SLA 1998)

Sec. 37.07.020. Responsibilities of the governor. (a) The governor shall prepare a budget for the succeeding fiscal year that 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 shall be organized so that the proposed expenditures for each agency are presented separately. The budget must be accompanied

by the information required under AS 37.07.050 and by the following separate bills: (1) an appropriation bill authorizing the operating and capital expenditures of the state's integrated comprehensive mental health program under AS 37.14.003(a); (2) an appropriation bill authorizing state operating expenditures other than those included in the state's integrated comprehensive mental health program; (3) an appropriation bill authorizing capital expenditures other than those included in the state's integrated comprehensive mental health program; and (4) a bill or bills covering recommendations, if any, in the budget for new or additional revenue. The budget for the succeeding fiscal year and each of the bills shall become public information on December 15 at which time the governor shall submit copies to the legislature and make copies available to the public. The bills, identical in content to the copies released on December 15, shall be delivered to the rules committee of each house before the fourth legislative day of the next regular session for introduction.

(b) In addition to the budget and bills submitted under (a) of this section, the governor shall submit a capital improvements program and financial plan covering the succeeding six fiscal years.

(c) Proposed expenditures may not exceed estimated revenue for the succeeding fiscal 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.

(d) *[Repealed, § 35 ch 126 SLA 1994.]*

(e) The budget prepared under (a) of this section must present the proposed operating expenditures for each agency for annual facility operations, annual maintenance and repair, and periodic renewal and replacement for components of public buildings and facilities separately from the other proposed operating expenditures by the agency. Proposed annual appropriations for an agency's facility operations, maintenance and repair, and renewal and replacement for components of public buildings and facilities contained in an appropriation bill prepared under (a) of this section must be presented separately from appropriations for other proposed operating expenditures by the agency. (§ 1 ch 188 SLA 1970; am § 3 ch 168 SLA 1978; am § 4 ch 18 SLA 1980; am § 3 ch 2 SLA 1982; am § 1 ch 61 SLA 1984; am § 35 ch 126 SLA 1994; am §§ 4, 5 ch 30 SLA 1997; am §§ 6, 7 ch 59 SLA 1997; am § 2 ch 27 SLA 1998; am § 1 ch 90 SLA 1998)

Sec. 37.07.030. Responsibilities of the legislature. [Repealed, § 9 ch 27 SLA 1998.]

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 explanation of the proposed comprehensive program and financial plan, including the coordination and analysis of state agency goals and objectives, plans, and budget requests;

(2) prepare for submission to the governor an annually updated six-year capital improvements program and the proposed capital improvements budget for the 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 requests to be included in the 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 to achieve, among other things, the legislature's mission and desired results, preparation of plans, assessments of the extent to which missions and desired results have been achieved, budget requests, and reporting on program performance; all documents forwarded by the office to a state agency containing instructions for the preparation of program plans and budget

requests 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;

(7) provide the legislative finance division with an advance copy of the governor's budget workbooks by the first Monday in January of each 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 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;

(9) for each department in the executive branch, report to the legislature by the 45th day of each regular session the amount of money appropriated to the department that is expected to lapse into the general fund at the end of the current fiscal year;

(10) establish and administer a state agency program performance management system involving planning, performance budgeting, performance measurement, and program evaluation; the office shall ensure that information generated under this system is useful for managing and improving the efficiency and effectiveness of agency operations. (§ 1 ch 188 SLA 1970; am § 3 ch 95 SLA 1971; am § 1 ch 60 SLA 1972; am § 1 ch 16 SLA 1976; am § 5 ch 168 SLA 1978; am § 4 ch 2 SLA 1982; am §§ 5, 6 ch 63 SLA 1983; am § 6 ch 30 SLA 1997; am § 8 ch 59 SLA 1997; am § 3 ch 27 SLA 1998; am § 1 ch 52 SLA 2003)

Cross references. — For duty of legislative finance division to cooperate with office of budget and management in establishing a comprehensive system for state budgeting and financial management as set

out in this chapter, see AS 24.20.231(4).

Effect of amendments. — The 2003 amendment, effective September 4, 2003, added paragraph (10)

Sec. 37.07.050. Agency program and financial plans; mission statements.

(a) The agencies shall assure the development of a statewide system of results-based government designed to increase efficiency and effectiveness of state programs and services. Toward that end, each state agency shall, on a semi-annual basis, identify results-based measures that have been used to work toward achievement of the mission statement and desired results issued by the legislature and of other goals of the agency, and set out the results as measured. Each state agency shall also prepare information that shall be compiled and submitted on December 15 each year to the office, the legislature, and the legislative finance division; this information must

(1) identify the agency mission and desired results established by the legislature;

(2) identify the goals and objectives the agency will use to achieve the legislature's mission and desired results;

(3) set out the results of any user group surveys and, if the results do not agree with the mission and desired results, goals, and objectives, explain why;

(4) include written, defined methods of measuring results that apply to the responsibilities, products, and services of the agency;

(5) identify results based measures that have been used to work toward achievement of the mission statement and desired results issued by the legislature and other goals of the agency and set out the results as measured;

(6) identify surveys or other methods of gathering user group opinions that have been used by the agency to identify ways to improve its programs;

(7) identify methods of measuring performance when the mission statement and desired results issued by the legislature involve more than one agency and make recommendations to eliminate duplication of government functions and waste;

(8) identify ways in which the agency has involved its employees in the development of methods of measuring results, including opportunities for employee representatives to participate in committees established to develop methods of measuring results;

(9) include the budget requested to carry out the agency's proposed plans in the succeeding fiscal year, including information reflecting the expenditures during the last fiscal year, the expenditures authorized for the current fiscal year, the expenditures proposed for the succeeding fiscal 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 other information requested by the office;

(10) include a report of agency receipts during the last fiscal year, an estimate of receipts during the current fiscal year, and an estimate of receipts for the succeeding fiscal year;

(11) identify legislation required to implement the proposed programs and financial plans;

(12) include an evaluation of the advantages and disadvantages of specific alternatives to existing or proposed agency activities or administrative methods;

(13) prioritize the activities of the agency from the most important to the least important.

(b) The state agency proposals prepared under (a) of this section must describe the relationships of their program services to those of other agencies, of other governments, and of nongovernmental bodies.

(c) The office shall assist agencies in the preparation of their proposals under (a) of this section. This assistance may include technical assistance, organization of materials, centrally collected accounting, budgeting and personnel information, standards and guidelines formulation, population and other required data, and any other assistance that will help the state agencies produce the information necessary for efficient agency management and effective decision-making by the governor and the legislature.

(d) If any state agency fails to transmit the program and financial information provided under (a) of this section on the specified date, the office may prepare the information.

(e) The office shall compile and submit to the governor-elect in any year when a new governor has been elected, not later than November 20, a summary of the program and financial information prepared by state agencies.

(f) Budget requests for boards and commissions and for those agency programs for the fiscal year following termination under AS 44.66 shall be prepared and submitted. The recommended appropriation request must include

(1) an identification of the objectives intended for the program and the problem or need that the activities and operations of the board, commission, or program is intended to address;

(2) an assessment of the degree to which the original objectives of the program have been achieved expressed in terms of performance, effects, or accomplishments of the program and of the program or need that 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 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;
- (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) a prioritized list of the activities the agency, board, or commission would be expected to perform if the life of the agency, board, or commission were to be continued, from the most important to the least important.
- (g) All goals and objectives, plans, programs, 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.
- (h) Each agency shall, with participation of its employees, develop methods for measuring agency results. A group or committee established by an agency to develop methods of measuring results shall include a representative of each of the bargaining units that represents employees of the agency. (§ 1 ch 188 SLA 1970; am § 4 ch 95 SLA 1971; am § 1 ch 97 SLA 1976; am § 5 ch 149 SLA 1977; am § 6 ch 168 SLA 1978; am § 28 ch 63 SLA 1983; am §§ 4, 5 ch 27 SLA 1998; am §§ 1, 2 ch 98 SLA 2002)

Effect of amendments. — The 2002 amendment, effective September 26, 2002, in subsection (a) added paragraph (13) and made stylistic changes; and in

subsection (f) added paragraph (9) and made stylistic changes.

NOTES TO DECISIONS

Public disclosure of budget impact memoranda. — Budget impact memoranda prepared by state department heads at the request of the director of the Office of Management and Budget pursuant to this section, although meeting the threshold requirements of the deliberative process privilege, were re-

quired to be disclosed by the terms of subsection (g). *Capital Info. Group v. State, Office of Governor*, 923 P.2d 29 (Alaska 1996)

Stated in *M-K Eng'g Co. v Alaska Power Auth.*, 662 F. Supp. 303 (D. Alaska 1986)

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 missions and results, recommended strategies to implement the missions and results, recommended measures for determining whether the missions and desired results are achieved, including an assessment of whether prior year missions and desired results have been achieved, recommended operating program for the succeeding fiscal 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 regular session. The message must be accompanied by an explanatory report that summarizes 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 fiscal year organized by agency as required by AS 37.07.020(a);

(3) the governor's capital improvements program and budget recommendations for the succeeding fiscal 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;

(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 fiscal year, a revised estimate for the current fiscal year, and an estimate for the succeeding fiscal year;

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

(6) any additional information that will facilitate understanding of the governor's proposed programs and financial plans by the legislature and the public. (§ 1 ch 188 SLA 1970; am § 7 ch 168 SLA 1978; am § 1 ch 96 SLA 1980; am § 5 ch 2 SLA 1982; am § 1 ch 111 SLA 1986; am § 6 ch 27 SLA 1998)

Sec. 37.07.062. Capital budget. (a) Each appropriation bill authorizing capital expenditures required to be submitted to the legislature in AS 37.07.020(a) must be accompanied by documents supporting the expenditures for each of the capital projects funds (AS 44.42.080). The documents must list, for each project, the (1) project identification number; (2) project title; (3) source of funding; (4) amount expended on the project during the preceding fiscal year, the amount authorized for the current fiscal year, and the amount proposed to be expended during the succeeding fiscal year; (5) estimated start for construction; (6) schedule of bond elections pertaining to the appropriation, including elections previously held. The total appropriation to each capital projects fund must be reflected in the balance sheet of each fund as of June 30 of each fiscal year.

(b) Upon the effective date of each appropriation bill authorizing capital expenditures, the amounts appropriated by the bill for capital outlay shall be paid into the appropriate capital project funds established under AS 44.42.080.

(c) The balance sheet of each capital projects fund (AS 44.42.080) shall, at the end of each fiscal year, contain the following items so as to reflect the status of each fund and that the appropriations to each fund are not based upon a fiscal year:

(1) cash with treasury — shows a normal debit balance;

(2) bonds authorized and unissued — shows a normal debit balance; these are assets of each fund and shall be sold in accordance with the election date of each authorization; the proceeds are expended on a first-in, first-out basis;

(3) bonds to be authorized — shows a normal debit balance; these shall be reflected in general obligation bond or revenue bond act proposals accompanying each year's capital

improvements program revision; the general obligation bond act proposals are to provide funding for the three fiscal years following the general election date;

(4) [Repealed, § 62 ch 14 SLA 1987.]

(5) general fund; other — shows a normal debit balance; additional appropriations from the general fund above those required by law for capital outlay;

(6) other funds — shows a normal debit balance; appropriations from other state funds for capital outlay;

(7) federal aid — shows a normal debit balance; includes funds expected to be received from federal sources for capital projects;

(8) expenditures, prior fiscal year — shows a normal credit balance;

(9) encumbrances — shows a normal debit balance;

(10) reserve for encumbrances — shows a normal credit balance;

(11) fund balance — shows a normal zero balance.

(d) The annual financial report of the state must contain the following statements for each capital projects fund:

(1) balance sheet;

(2) analysis of changes in bonds authorized and unissued;

(3) analysis of changes in bonds to be authorized;

(4) analysis of changes in funds to be provided by others;

(5) statement of expenditures and encumbrances compared to appropriations. (§ 8 ch 168 SLA 1978; am § 62 ch 14 SLA 1987; am §§ 7, 8 ch 30 SLA 1997; am §§ 9, 10 ch 59 SLA 1997)

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 governor's supplemental appropriation bills and the governor's budget amendments shall be 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) 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 45th legislative day. (§ 1 ch 188 SLA 1970; am § 1 ch 66 SLA 1977; am § 9 ch 168 SLA 1978; am § 6 ch 2 SLA 1982; am §§ 7, 8 ch 63 SLA 1983; am § 9 ch 30 SLA 1997; am § 11 ch 59 SLA 1997)

Sec. 37.07.080. Program execution. (a) Except as limited by executive decisions of the governor, the mission statements and desired results issued by the legislature, appropriations by the legislature, and other provisions of law, the several state agencies have full authority for administering their program service assignments and are responsible for their proper management.

(b) Each state agency shall prepare an annual plan for the operation of each of its assigned programs except for programs that are exempted from this requirement by the office. The operations plan shall be prepared in the form and content and be transmitted on the date prescribed by the office.

(c) The office shall

(1) review each operations plan to determine that it is consistent with the executive decisions of the governor, the mission statement and desired results issued by the legislature, appropriations by the legislature, and other provisions of law, that it reflects

proper planning and efficient management methods, and that appropriations have been made for the legislatively established purpose and will not be exhausted before the end of the fiscal year;

(2) approve the operations plan if satisfied that it meets the requirements under (1) of this subsection; otherwise, the office shall require revision of the operations plan in whole or in part.

(d) A state agency may not increase the salaries of its employees, employ additional employees, or expend money or incur obligations except in accordance with law and properly approved operations plan.

(e) Transfers or changes between objects of expenditures or between allocations may be made by the head of an agency upon approval of the office. Transfers may not be made between appropriations, including transfers made through the use of a reimbursable service agreement or other agreement, except as provided in an act making the transfers between appropriations. However, a reimbursable service agreement or other agreement may be used to finance the provision of a service if

(1) the agency that requires the service has, by law, the authority to obtain or provide the service and has an appropriation that may be used for that purpose; and

(2) the agency that provides the service bills the agency administering the available funds based on

(A) the actual cost to provide the service; or

(B) a cost allocation method approved by the office.

(f) The office shall report quarterly to the governor and the legislature on the operations of each state agency, relating actual accomplishments to those planned and modifying, if necessary, the operations plan of any agency for the balance of the fiscal year.

(g) The governor may direct the withholding or reduction of appropriations to a state agency at any time during the fiscal year only if the governor determines that the planned expenditures can no longer be made due to factors outside the control of the state which make the expenditure factually impossible.

(h) The increase of an appropriation item based on additional federal or other program receipts not specifically appropriated by the full legislature may be expended in accordance with the following procedures:

(1) the governor shall submit a revised program to the Legislative Budget and Audit Committee for review;

(2) 45 days shall elapse before commencement of expenditures under the revised program unless the Legislative Budget and Audit Committee earlier recommends that the state take part in the federally or otherwise funded activity;

(3) should the Legislative Budget and Audit Committee recommend within the 45-day period that the state not initiate the additional activity, the governor shall again review the revised program and if the governor determines to authorize the expenditure, the governor shall provide the Legislative Budget and Audit Committee with a statement of the governor's reasons before commencement of expenditures under the revised program. (§ 1 ch 188 SLA 1970; am §§ 1 — 3 ch 26 SLA 1976; am §§ 2, 3 ch 74 SLA 1977; am §§ 4, 5 ch 60 SLA 1979; am §§ 9 — 12 ch 63 SLA 1983; am § 1 ch 18 SLA 1994; am §§ 7 — 9 ch 27 SLA 1998)

Revisor's notes. — Subsection (g) was reorganized to reflect the 1998 repeal of former paragraph (g)(2).

Cross references. — For definition of "program receipts" applicable to this section, see AS 37.05.146.

Legislative history reports. — For report on ch. 26, SLA 1976 (HB 760 am S), see 1976 House Journal, p. 388.

Opinion of attorney general. — Vesting authority in the Legislative Budget and Audit Committee to approve transfers between appropriation items vio-

lates the separation of powers doctrine and is an improper delegation of a legislative function to an interim committee. July 22, 1976 Op. Att'y Gen.

Section 13(3) of the 1976 budget bill, which authorized the Budget and Audit Committee to supervise the governor's execution of the budget act, specifically over that portion of it which permitted him to transfer appropriation items, constituted an encroachment on executive power and offended the Alaska Constitution. July 22, 1976 Op. Att'y Gen.

NOTES TO DECISIONS

Constitutionality. — Paragraph (g)(2) of this section is unconstitutional for two reasons: first, because it delegates power over appropriations, a power which can only be exercised by the legislature in accord with the procedures mandated by Alaska Const. art. II; second, because the statute lacks standards to guide the exercise of administrative discretion. In either case, the statute violates the principle of separation of powers. *State v. Fairbanks N. Star Borough*, 736 P.2d 1140 (Alaska 1987).

A 1987 curative act (ch. 9, SLA 1987 and § 32, ch. 3, F 31A 1987), passed with the express intention of validating the governor's impoundment orders, which had been rendered void by the decision in *State v.*

Fairbanks North Star Borough, 736 P.2d 1140 (1987), was a valid and constitutional exercise of legislative power and cured any constitutional deficiencies in the governor's earlier actions. *Fairbanks North Star Borough v. State*, 753 P.2d 1158 (Alaska 1988).

Budgetary system established by statute implementing Constitution. — Statutory language implementing Alaska Const., art. IX, § 13, establishes a budgetary system in which all appropriations are made by legislative act. *Municipality of Anchorage v. Frohne*, 568 P.2d 3 (Alaska 1977).

Cited in *M-K Eng'g Co. v. Alaska Power Authority*, 668 P.2d 303 (D. Alaska 1986).

Sec. 37.07.090. Performance reporting. [Repealed, § 9 ch 27 SLA 1998.]

Sec. 37.07.100. Proposed supplemental or special appropriations. The governor from time to time may transmit to the legislature proposed supplemental or special appropriations in accordance with AS 37.07.070 which in the governor's judgment are necessary. However, if the governor finds that an emergency situation necessitates a proposal of supplemental or special appropriations, the governor may transmit the proposal to the legislature at any time. The governor shall accompany each proposal with a statement of the reasons for it, including the reasons for its omission from the budget. (AS 37.07.100; am § 13 ch 63 SLA 1983)

NOTES TO DECISIONS

Budgetary system established by statute implementing Constitution. — Statutory language implementing Alaska Const., art. IX, § 13, estab-

lishes a budgetary system in which all appropriations are made by legislative act. *Municipality of Anchorage v. Frohne*, 568 P.2d 3 (Alaska 1977).

Sec. 37.07.110. Interpretation of chapter. This chapter shall be construed to be supplemental to all other state laws not in conflict with it. If a section or part of a section of this chapter is in conflict with federal requirements for a program for which federal grant-in-aid funds are available, the section or part, to the extent of the conflict, shall be inoperative. (AS 37.07.110)

Sec. 37.07.120. Definitions. In this chapter,

(1) "agency" means a department, officer, institution, board, commission, bureau, division, or other administrative unit forming the state government and includes Alaska Pioneer's Home, the Alaska Veterans' Home, and the University of Alaska; does not include the legislature or the judiciary;

(2) "allocation" means an amount set out as a legislative guideline for expenditure by a state agency for a stated purpose within the total amount of an appropriation;

(3) "appropriation" means a maximum amount available for expenditure by a state agency for a stated purpose set out in an appropriation act;

(4) "capital projects" and "capital improvements" mean an allocation or appropriation for an asset with an anticipated life exceeding one year and a cost exceeding \$25,000 and include land acquisition, construction, structural improvement, engineering design for the project, and equipment and repair costs;

(5) "facility operations" means activities and expenses relating to the day-to-day operations of a building or facility, including utilities, janitorial service, security services, snow removal, and direct supervision of related maintenance activities;

(6) "fiscal year" means a year beginning on July 1 of one calendar year and ending on June 30 of the following calendar year;

(7) "maintenance and repair" means the day-to-day scheduled and preventive maintenance effort, including minor repair work, required to keep a building or facility operational and in a continuous state of readiness;

(8) "object of expenditure" means a line item of expenditure within an allocation or an appropriation;

(9) "office" means the Alaska office of management and budget established in the Office of the Governor by AS 44.19.141;

(10) "renewal and replacement" means the scheduled replacement of worn-out major building components and the replacement or retrofitting of obsolete or inefficient building systems in order to maintain or extend the life of a building or facility. (§ 1 ch 188 SLA 1970; am § 4 ch 26 SLA 1976; am § 2 ch 97 SLA 1976; am § 7 ch 46 SLA 1977; am §§ 14, 26 ch 63 SLA 1983; am § 2 ch 90 SLA 1998; am § 9 ch 59 SLA 2004)

Revisor's notes. — Reorganized in 1993 to alphabetize the defined terms. Paragraphs (5) and (7) were enacted as (8) and (9), respectively. Renumbered in 1993, at which time former (5)-(7) were renumbered as (6), (8), and (9), respectively.

Effect of amendments. — The 2004 amendment,

effective July 1, 2004, inserted "the Alaska Veterans' Home" in paragraph (1), and made stylistic changes.

Opinions of attorney general. — The University of Alaska is subject to the provisions of this chapter. February 25, 1977 Op. Att'y Gen.

NOTES TO DECISIONS

Quoted in *Ellis v. City of Valdez*, 686 P.2d 700 (Alaska 1984).

Sec. 37.07.130. Short title. This chapter may be cited as the Executive Budget Act. (§ 1 ch 188 SLA 1970)

Chapter 10. Public Funds.

Article

1. Custodians of State Funds (§§ 37.10.010 — 37.10.040)
2. Charges for State Services; Accounting (§§ 37.10.050 — 37.10.060)
3. Investment and Deposit of State Funds (§§ 37.10.070 — 37.10.088)
4. Recovery of Money or Property Illegally Paid or Diverted (§§ 37.10.090, 37.10.100)
5. Alaska Retirement Management Board (§§ 37.10.210 — 37.10.390)
6. Constitutional Budget Reserve Fund (§§ 37.10.410 — 37.10.430)

Administrative Code. — For Alaska retirement management board, see 15 AAC 112.

Article 1. Custodians of State Funds.

Section

10. Disbursements
20. Vouchers to be approved by administrative officer

Section

30. Responsibility of officer or employee approving or certifying voucher
40. Enforcement of liability

Sec. 37.10.010. Disbursements. The Department of Administration shall

(1) disburse money only upon vouchers certified by the department, establishment, or agency concerned, or an officer or employee of it authorized in writing to certify the vouchers;

(2) make an examination of vouchers necessary to ascertain whether they are in proper form, certified and approved, computed on the basis of the facts certified; and

(3) be held accountable accordingly. (§ 12-3-1 ACLA 1949)

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It is about time for a fiscal plan

(Published: February 5, 2007)

Pardon us for pointing out the obvious, but this state still has no real fiscal plan despite years of talking the subject nearly to death. Admittedly, the Legislature may have a lot on its plate this year, but figuring out how to fund government in the future and ensure Permanent Fund dividends is no small matter, especially for those of us who revile the notion of an income tax.

Times are good now. High oil prices are keeping the wolves from the door, but with declining production, and a gas line a decade or so away, it would seem prudent to begin looking at exactly where state government will draw revenues when times are tougher and its emergency stash, the Constitutional Budget Reserve, a repository for windfall profits from royalty and tax settlements, dries up.

Another problem. Continued and repeated draws on the CBR in the past to stem the flow of red ink made bond-rating agencies nervous and that could cost the state in the long run.

So far, the best prospect has been some version of the Percent of Market Value, or POMV, approach that would take some percentage of the \$35.9 billion Permanent Fund each year, say 5 percent, and divide that amount between government operations and dividend checks.

The small percentage used would cushion the fund from radical, short-term swings in the national economy and allow the fund to grow. It is a method used by large institutional funds across the nation, and one designed to protect those pots of money.

There will always be problems with trying to craft such a plan here, first from those who have enshrined the Permanent Fund and view any use of its earnings as a "raid," to those who would think it a nefarious plot of some kind to resurrect former Gov. Frank Murkowski.

As it stands now, using the Permanent Fund's earnings has become a political third rail, despite the 1976 constitutional amendment that stipulates the earnings be placed in the general fund to run government. Most politicians would rather take a beating than suggest such a thing.

A POMV would avoid some of that, and, over the years, there have been various plans and formulas for such a program. Some would have used the money for education and dividends; others, only dividends; and still others, to run state government.

But, for one political reason or another, nothing has been done. Now, while oil prices are high, is the perfect time to begin talking rationally about a POMV or some other vehicle to fund government and fuel dividends in the future. There is little pressure and lots of time.

History shows us it will not always be this way.

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Fiscal plan

(Published: March 19, 2007)

House bill requires 10-year look

The House could vote soon on legislation that just might help Alaskans and their elected leaders pay more attention to the state's fiscal future. With passage expected in the House, the bill would move next to the Senate for its consideration. And, from there, the final step would be the governor for signature into law.

That would be a good thing.

The measure would require governors to annually prepare a 10-year fiscal plan, with estimates for major sources of state revenues and expenditures, along with projecting the balance in the state budget reserve fund.

Supporters believe -- rightfully so -- that the best way for the state to prepare for the years ahead is to start thinking now about how to pay the bills.

Alaska has long lived year to year on the whims of world oil prices, hoping for high prices and dreading the opposite. The budget reserve fund covered the deficits of the 1990s through 2003, before rising oil prices brought fat tax and royalty checks to the state treasury. That's been the state's fiscal plan ever since the pumps started up at Prudhoe Bay 30 years ago, but many legislators are wisely saying it's time for something better.

The House legislation, presented by the Ways and Means Committee, would require governors to prepare a 10-year plan showing balanced spending while ensuring that the state maintains essential public services. Protecting the Permanent Fund and its annual dividends would also be on the work list.

Plan ahead, make good choices, and all could be well in Alaska. But bury our heads in declining oil wells, don't think about the future and life could get very poor around here in a few years.

Presenting a fiscal plan each year isn't going to magically make more money appear. Nor will it make the annual budget-writing process much easier. But it will force elected officials and the public to think about the future. Seeing it in black and white will push Alaskans -- we hope -- to start serious discussions about where the money will come from in the years ahead for schools, roads and all the other public services.

The Senate has its own version of a long-range fiscal plan bill, but the House version is more comprehensive and closer to passage. This looks like a good year to pass the bill and start planning for the future.

BOTTOM LINE: Alaska cannot afford life without a long-range fiscal plan.

February 14, 2007

Representative Mike Hawker, Chair
House Ways & Means Committee
State Capitol
Juneau, AK 99801

Dear Representative Hawker,

The Alaska State Chamber of Commerce strongly supports HB 125. State Fiscal Planning has been a top priority of the State Chamber for many years. We believe the state needs stability in budget planning as volatile state revenues create unforeseeable budget gaps and revenue excesses. Any smart business plans for future years through detailed planning of revenues and expenditures, with adjustments made each year.

Amending Alaska Statutes regarding the Executive Budget Act, HB 125 assigns a long-term fiscal plan requirement to the Governor's duties of providing yearly budgets. Under HB 125, the Governor's fiscal plan reaches forward 10 years into the future, showing legislators and the public what to expect in lean years and in years of excess. HB 125 may fall short of enacting an actual fiscal plan; however, HB 125 will provide for a constantly evolving framework—a fiscal plan, for the legislature and the public to follow as budgets are enacted from year to year.

With new legislators every two years, a volatile oil market, a PFD citizenry, and a new governor every four years, HB 125 hurdles many of the states political quagmires that may prevent adopting a long-term fiscal plan. Simply, requiring that a plan be submitted each year along with a budget, creates a first in Alaska, fiscal planning. The Alaska State Chamber strongly advocates for HB 125 and we hope the bill will move quickly through the legislature.

Yours in economic prosperity,



Wayne A. Stevens
President/CEO



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**Alaska State Chamber of Commerce
2007 Priority
Fiscal Plan**

The Alaska State Chamber of Commerce urges the Legislature to adopt a comprehensive fiscal policy. The State Chamber recognizes that the first problem in adopting a comprehensive fiscal policy is to have a common definition of what is a fiscal policy. While the State Chamber recognizes that no policy can bind future legislatures, the policy should reflect long-term sustainability and the best combination of the following considerations.

- Economic development and business opportunities need some level of fiscal certainty. That certainty can only be accomplished with a comprehensive fiscal plan which addresses state spending in times of shortfall and defines essential priorities
- A comprehensive fiscal policy should determine what constitutes a basic budget of essential services in times of revenue short-falls
- A comprehensive fiscal policy should seriously consider a two-year budget cycle based on funding these essential government services
- A comprehensive fiscal policy shall recognize the complex dependency of locally delivered services that are funded through state revenue sharing and factor that into the policy
- A comprehensive fiscal policy should address the PERS/TERS issue making this state obligation actuarially sound
- A comprehensive fiscal policy should include the utilization and sustainability of the Constitutional Budget Reserve
- A comprehensive fiscal policy should adopt the percent-of-market (POMV) management tool for the Alaska Permanent Fund;
- A comprehensive fiscal policy should reasonably anticipate scenarios of growth predicated on realistic resource development and its affect on budgets
- Forge a plan for implementation of a program to privatize state services that could be competitively provided by the private sector
- A comprehensive fiscal policy should not preclude the continuation of the Alaska Permanent Fund Dividend program
- No additional business taxes should be enacted by the legislature until a fiscal plan is developed. Further, the State Chamber reiterates that fiscal discipline and legislative accountability must precede any new taxes.



Chugiak-Eagle River Chamber of Commerce

"Place of Many Places"

March 28, 2007

Representative Mike Hawker
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Representative Hawker:

On behalf of the Chugiak-Eagle River Chamber Board of Directors, we want to commend you for the introduction of HB 125 – Long Range Fiscal Plan legislation introduced this session.

Our Chamber and many other businesses and trade associations have requested that a Long-Range Fiscal Plan needs to be developed in order to assess long-range implications of decision-making. As noted in the Sponsor Statement, decisions should not be made in a vacuum with a one-year budget and six-year Capital Improvement Plan. Our Board of Directors absolutely agree that impacts of the recent petroleum severance tax, potential gas line contract and falling North Slope oil production juxtaposed with rising costs in such areas as Medicaid, education and deferred maintenance need to be continuously assessed in order to make responsible decisions. It is the obligation of our elected officials to look beyond the immediate fiscal year under consideration.

We appreciate your efforts on this important work and look forward to seeing a long-range fiscal plan acted on this session. As a Chamber, we have long supported its creation for the benefit of our community and Alaska.

With regards,

Michael Meliolo
President

CC:
Senator Bunde
Senator Dyson
Senator Huggins
Representative Dahletrom
Representative Fairclough
Representative Stoltze

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Requested by: Council Member Greg Koskela
Adopted: February 26, 2007
Vote: Ewing, Holler, Koskela, Menard and Metiva in favor; Cox absent

CITY OF WASILLA
RESOLUTION SERIAL NO. 07-07

A RESOLUTION OF THE WASILLA CITY COUNCIL URGING THE ALASKA STATE LEGISLATURE TO DEVELOP AND ADOPT A LONG-RANGE FISCAL PLAN DURING ITS 2007 LEGISLATIVE SESSION.

WHEREAS, the State of Alaska has no long-range fiscal plan in place to balance revenues and expenditures; and

WHEREAS, State revenues over the past quarter century have relied on petroleum extraction revenues for over 80 percent of its total annual operating revenues; and

WHEREAS, diversified economic development requires a stable and predictable State-wide and local fiscal environment; and

WHEREAS, the continual decrease in overall State revenue sharing, including matching grants and educational funding, have led to severe stress on local municipal budgets resulting in decreased service delivery throughout the State; and

WHEREAS, the current price of oil has resulted in a temporary increase in State revenues which provides an additional short period of time for the Legislature to develop a long-term fiscal plan for the State; and

WHEREAS, future spending plans should reflect declining oil revenues, as well as projected revenues from other natural resources of the state; and


WHEREAS, House Bill 125, currently introduced in the 2007 Legislative Session provides a way to achieve fiscal responsibility in the State of Alaska.

NOW THEREFORE BE IT RESOLVED, that the Wasilla City Council, urges the Alaska State Legislature to develop and adopt a Long-Range Fiscal Plan during its 2007 Legislative Session.

ADOPTED by the Wasilla City Council on February 26, 2007.

ATTEST:


KRISTIE SMITHERS, MMC, City Clerk


DIANNE M. KELLER, Mayor

[SEAL.]

2007 Policy Statement



Approved by
AML Membership
November 2006

Alaska Municipal League
217 Second Street, Suite 200
Juneau, Alaska 99801
Phone (907) 586-1225
Fax (907) 463-5480

reduce local taxpayer subsidization of state lands and facilities. Based on the above criteria, local taxpayers are currently subsidizing state government by approximately \$75 million per year. These subsidies should be funded with a PILT.

2. State Funding for Education:

- a. The League supports continued long-term full funding of the education foundation program, school debt reimbursement and construction. The foundation formula should be adjusted annually to compensate for inflation (See Part II, Education A.4. for a full discussion on the state's constitutional mandate to provide schools).
- b. The League strongly encourages amending the education foundation formula so it is equitable to local governments and does not take unfair advantage of changes in local assessed values.

3. Municipal Capital Matching Grants:

- a. The League supports full funding for the Municipal Capital Matching Grant Program, using earnings of the Amerada Hess Account for local capital infrastructure needs at not less than the historical funding level of \$ 28 to 32 million level per year, adjusted for inflation since inception of the program during the Hickel Administration (See also A.1. in Public Works and Infrastructure section). The purpose of the Municipal Capital Matching Grant Program was to allow communities to meet their top infrastructure needs most efficiently while shielding them from the political legislative allocation process.
- b. **State and Municipal Facilities and Infrastructure:** Funding for the maintenance of state and municipal facilities and infrastructure should be provided on a timely and consistent basis.
- c. **Deferred Maintenance:** The existing program to provide ongoing funding for deferred maintenance for state and municipal public facilities and infrastructure should be expanded using revenue sources other than local taxation for state mandated facilities.
- d. **Governmental Accounting Standards Board (GASB) Statement Number 34:** State support should be at a level at which municipalities can implement a deferred maintenance program and establish necessary reserves sufficient for future maintenance in order to comply with GASB 34.

4. Long-Range State Financial Plan:

- a. **Overall policy:** The adoption of a state operation and long-range fiscal plan is critical to a stable future for all Alaskans by promoting affordable state and local tax levels, and adequate state and local services with balanced complementary revenue sources for municipalities and the state.
- b. **Guiding Principles for a Financial Plan:** Elements that should be included in a long-range financial plan are:
 1. The plan provides financial stability.
 - Annual revenues are stable, predictable, and diversified.
 - State and local taxes are predictable.
 2. The plan is sustainable.
 - Protects and grows state and municipal financial assets.
 - Advances financial investment policies that maximize the returns of these assets.
 3. The plan is fair.
 - Any trade-offs between taxes, dividends, and public services are balanced across households, businesses, industries, and communities.
 - Economic activity supported with public dollars should provide financial return to state and/or local treasuries.
 - Provides smooth transition between substantial changes in dividends, taxes and/or public services.