

SCOMM

150:9

25-LS0546E

Cook

2/22/07

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:****Referred:****Sponsor(s): HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS****A BILL****FOR AN ACT ENTITLED****"An Act relating to budget planning and a fiscal plan for the State of Alaska."****BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:***** Section 1. AS 37.07.020(b) is amended to read:**

(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, and a fiscal plan with estimates of significant sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

(1) must include sufficient details to identify

(A) significant sources of funds;

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

(i) operating expenditures;

(ii) capital expenditures;

(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) may, at the discretion of the governor, also include
12 recommendations to

13 (A) encourage economic growth and stability, maintain a
14 high quality of life, develop the state's natural resources, educate the
15 children of the state, and maintain public health, safety, and welfare;

16 (B) provide services as efficiently as practicable and reduce
17 state expenditures where possible;

18 (C) establish policies that protect the principal of the
19 Alaska permanent fund over time while using the income of the fund to

20 (i) offset the effect of inflation on the principal of the
21 fund;

22 (ii) maintain a strong permanent fund dividend
23 program;

24 (iii) retain the legislature's flexibility to determine
25 the appropriate use of the remaining income of the fund;

26 (D) raise revenue for the operation of state government
27 while maintaining a stable tax environment; and

28 (E) provide adequate reserve funds to mitigate the
29 consequences of market price volatility on state revenue from resources.

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

31 (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) prepare for submission to the governor an annually updated 10-year fiscal plan and 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 of 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

1 it may request;

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

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

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

16 (10) establish and administer a state agency program performance
17 management system involving planning, performance budgeting, performance
18 measurement, and program evaluation; the office shall ensure that information
19 generated under this system is useful for managing and improving the efficiency and
20 effectiveness of agency operations.

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

22 **Sec. 37.07.060. Governor's recommendation.** (a) The governor shall
23 formulate the operating and capital budget, capital improvements program,
24 [PROGRAMS] and fiscal plan [FINANCIAL PLANS] required to be recommended
25 to the legislature by AS 37.07.020 after considering the state agency proposed
26 program and financial plans, and other programs and alternatives that the governor
27 considers appropriate. The plans must include the governor's recommended missions
28 and results, recommended strategies to implement the missions and results,
29 recommended measures for determining whether the missions and desired results are
30 achieved, including an assessment of whether prior year missions and desired results
31 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 fiscal plan [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 that [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 scheduled for the first three years of the plan 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

1 debt ratios over the life of the state's bonds outstanding, bonds authorized and
2 to be issued, and bond authorizations recommended in the plan;

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

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

7 (G) projections of population of the state and its regions and
8 communities;

9 (H) economic data and projections necessary for the evaluation
10 of the plan;

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

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

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

17 * Sec. 5. AS 37.14.003(a) is amended to read:

18 (a) The governor shall, at the time the governor submits the proposed
19 [COMPREHENSIVE OPERATING AND] capital improvements program and fiscal
20 [FINANCIAL] plan under AS 37.07.060(b), submit to the legislature a separate
21 appropriation bill limited to appropriations for the state's integrated comprehensive
22 mental health program.

25-LS0546C

Cook

2/8/07

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:

Referred:

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

A BILL**FOR AN ACT ENTITLED****"An Act relating to budget planning and a fiscal plan for the State of Alaska."****BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:***** Section 1. AS 37.07.020(b) is amended to read:**

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(1) must include sufficient details to identify**(A) significant sources of funds;****(B) significant uses of funds, including projections of****(i) operating expenditures;****(ii) capital expenditures;****(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 while providing for essential state services and protecting the economic stability of the state;

(3) must include projected balances of significant funds 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);

(4) may provide recommendations to

(A) encourage economic growth and stability, maintain a high quality of life, develop the state's natural resources, educate the children of the state, and maintain public health, safety, and welfare;

(B) provide services as efficiently as practicable and reduce state expenditures where possible;

(C) establish policies that protect the principal of the Alaska permanent fund over time while using the income of the fund to

(i) offset the effect of inflation on the principal of the

fund;

(ii) maintain a strong permanent fund dividend

program;

(iii) retain the legislature's flexibility to determine the appropriate use of the remaining income of the fund;

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(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 of 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 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.

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

Sec. 37.07.060. Governor's recommendation. (a) The governor shall formulate the operating and capital budget, capital improvements program, [PROGRAMS] and fiscal plan [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

1 programs.

2 (b) The governor shall present the proposed comprehensive operating and
3 capital improvements programs and fiscal plan [FINANCIAL PLANS] in a message
4 to a joint session of the legislature before the fourth legislative day following the
5 convening of the legislature in regular session. The message must be accompanied by
6 an explanatory report that summarizes recommended goals, plans, and appropriations.

7 The report must contain

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

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

13 (3) the governor's capital improvements program and budget
14 recommendations for the succeeding fiscal year and capital improvements program for
15 the succeeding six fiscal years, which must include

16 (A) a description of each project, its estimated cost for the year
17 construction is to start and the estimated cost of the project adjusted for
18 inflation over the estimated period of construction, and the source of financing
19 for the project; the project description for a new building or a new facility or
20 for a major addition to a building or facility scheduled for the first three
21 years of the plan should include a site plan, preliminary drawings, and
22 architect's or engineer's total cost estimate for the project;

23 (B) a summary of projects previously authorized and not yet
24 completed;

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

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

31 (E) a description of additional revenue measures needed to

- 1 finance the plan in lieu of debt;
- 2 (F) bond election bills to authorize the bonds required to fund
- 3 the projects scheduled for the first three years of the plan;
- 4 (G) projections of population of the state and its regions and
- 5 communities;
- 6 (H) economic data and projections necessary for the evaluation
- 7 of the plan;
- 8 (4) a summary of state receipts in the last fiscal year, a revised estimate
- 9 for the current fiscal year, and an estimate for the succeeding fiscal year;
- 10 (5) a summary of expenditures during the last fiscal year, those
- 11 authorized for the current fiscal year, and an estimate for the succeeding fiscal year;
- 12 (6) any additional information that will facilitate understanding of the
- 13 governor's proposed programs and financial plans by the legislature and the public.

14 * **Sec. 5.** AS 37.14.003(a) is amended to read:

- 15 (a) The governor shall, at the time the governor submits the proposed
- 16 [COMPREHENSIVE OPERATING AND] capital improvements program and **fiscal**
- 17 [FINANCIAL] plan under AS 37.07.060(b), submit to the legislature a separate
- 18 appropriation bill limited to appropriations for the state's integrated comprehensive
- 19 mental health 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
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Changes between HB 125 And CS HB 125 – work draft 25-LS0546\C

- Removed “long-range” wherever it appeared before “fiscal plan”
- Page 2, line 2, following “Alaska)
Inserted “,if any”
- Page 2, line 3, following “balance”
Replaced “state expenditures and revenue” with “sources and
uses of funds”
- Amended section two by removing the reference to the
“financial plan”

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: HB125-DOR-TAX-2-13-0
 Bill Version: HB 125
 () Publish Date: _____

Revision Date/Time (Note if correction): _____

Dept. Affected: Revenue 04

Title: Long Range Fiscal Plan

RDU: Taxation and Treasury

Component: Tax Division

Sponsor: House Ways and Means

Requester: House Ways and Means

Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

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

Estimate of any current year (FY2007) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Nels Tomlinson

Phone (907) 465-5636

Division: Tax

Date/Time: _____

Approved by: Jerry Burnett

Date 2/13/2007

Agency: Department of Revenue

64

STATE OF ALASKA

BILL NO. HB 125**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)].

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) are outside of the current scope of our forecasts. Detailed forecasts of the revenues and economic impacts of new taxes would require additional expenditures.

POSITIONS

ANALYSIS:

Approved by: Jerry Russell

Page 2 of 2



25th Alaska State Legislature

House Special Committee on Ways & Means

Chair:

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465-4949

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465-3875

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465-4940

Committee Aide:

Juli Lucky
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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. 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 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.

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. III, 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 by the appropriation bill and the integrated comprehensive appropriation bill authorizing the state's integrated comprehensive capital expenditures if any, in the budget for the year and each of the bills the governor shall submit to the public. The bills, identical copies, shall be delivered to the rules committee at the regular session for introduction.

(b) In addition to the bills, the governor shall submit a capital improvements plan for the six fiscal years.

(c) Proposed expenditures for the year. The expenditure financial plan may not be proposed.

(d) *[Repealed, § 35]*

(e) The budget preparation shall include expenditures for each repair, and periodic repair, and renewal of facilities separately from the Proposed annual appropriation, and renewal of facilities contained in an appropriation separately from appropriation. (§ 1 ch 188 SLA 1970; § 1 ch 61 SLA 1982; am § 1 ch 61 SLA 1998; § 6, 7 ch 59 SLA 1999)

Sec. 37.07.030. Responsibility of the governor.

Sec. 37.07.040. Off

ment and budget shall

(1) assist the governor in the development of the state's program and financial goals and objectives, p

(2) prepare for subcommittee improvements program fiscal year, the latter estimated project cost;

(3) develop procedures for making, including plans, programs, and projects for public review;

(4) assist state agencies in other things, the legislative requests, and reporting a state agency contain

Chapter 37.07. EXECUTIVE BUDGET ACT

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, Sec. 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.

CSHB 125 An Act relating to budget planning and a fiscal plan for the State of Alaska.

Section 37.07.010 Statement of Policy

No suggested changes

Section 37.07.014 Responsibilities of the legislature.

(d) change "financial plans" to "fiscal plan"

A major premise of the bill is that the State's financial plans will be contained within the 10-year fiscal plan. Consequently, in several sections of the Executive Budget Act, the term "financial plans" should be changed to "fiscal plan."

(g) new subsection

[Conceptual: This is a policy statement dealing with the legislature's responsibility for taking action on the fiscal plan and I believe that it belongs in the section dealing with responsibilities of the legislature. So for the time being I am retaining it here.]

Policy statement that provides that it is the legislature's responsibility to review the fiscal plan and respond to the governor's conclusions and recommendations in order to participate in the fiscal planning process and provide guidance stating areas that the legislature supports and areas that it does not support. Since the legislature makes its response to the governor's plan for the succeeding fiscal year in appropriation bills and other legislation passed, the response to the fiscal plan should be for fiscal years two through ten. It is likely that the response will not cover the full ten year period, but will be directed to the major policy choices expressed in the plan. The legislature shall provide its advice through a concurrent resolution.

Section 37.07.020 Responsibilities of the Governor

(b) In addition to the budget and bills submitted under (a) of this section, the governor shall submit a [CAPITAL IMPROVEMENTS PROGRAM AND FINANCIAL] fiscal plan covering the succeeding ten [SIX] fiscal years.

(c) Proposed expenditures may not exceed estimated revenues 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 AUTHORIZATION PASSED AND PROPOSED.]

New Section 37.07.025. Fiscal Plan

(a) It is the policy of the State of Alaska that the State's ten-year fiscal plan

(1) encourage economic growth and stability, maintain a high quality of life, develop the state's natural resources, educate the children of the state, and maintain public health, safety, and welfare;

(2) provide services as efficiently as practicable and reduce state expenditures where possible;

(3) establish policies that protect the principal of the Alaska permanent fund over time while using the income of the fund to

(A) offset the effect of inflation on the principal of the fund;

(B) maintain a strong permanent fund dividend program;

(C) retain the legislature's flexibility to determine the appropriate use of the remaining income of the fund;

(4) provide adequate reserve funds to mitigate the consequences of market price volatility on state revenue from resources.

(b) The fiscal plan must include

(1) a projection of revenue for the succeeding 10 years categorized by each major source of revenue and an explanation of any significant changes from previous projections;

(2) projections of the expenditures for the succeeding 10 years listed by each major area of expenditure and an explanation of any significant changes from previous projections, including the assumptions on which the 10-year projections are made;

(3) proposed actions for increasing revenue while maintaining a stable tax environment and cutting expenditures as necessary to ensure expenditures do not exceed revenue;

(4) changes in strategy or new strategies needed as a result of previously unanticipated changes in expenditures, revenues, and unsuccessful strategies;

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

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

(7) an analysis of anticipated changes in federal funding and the plan accommodating the reduced funding;

(8) **[This section and the next needs more work. It didn't seem to me that it was easy to incorporate the emergency provisions with the savings accounts provisions.]** the target minimum level of funds in 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), and, if the amounts are less than the target minimum levels, the target levels of repayments to the funds together with the plan for achieving the repayments;

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

(10) a plan for using any surplus state revenue; and

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

Section 37.07.040 Office of Management and Budget

(1) assist the governor in the preparation and explanation of the proposed comprehensive program and fiscal [FINANCIAL] plan, including the coordination and analysis of state agency goals and objectives, plans, and budget requests;

(2) prepare for submission to the governor a[NNUALLY 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;

Section 37.07.060 Governor's Recommendation

(a) The governor shall formulate the operating and capital improvements programs and fiscal plan [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. [Question – do the following provisions apply to the budgeting process or the fiscal planning process?] 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 fiscal plan [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, except that in the first year of the first term of a governor, the message shall be given by the 45th 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, which [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.

AMENDMENT #1

OFFERED IN THE HOUSE

BY REPRESENTATIVE CISSNA

TO: CSHB 125(W&M), Draft Version "E"

1 Page 2, line 29, following "resources":

2 Insert ";

3 (5) may include a list of reports, plans, and other materials relied
4 on in the preparation of the fiscal plan, together with a brief description of the
5 relevance of the materials and how to obtain paper or electronic copies of the
6 materials"

AMENDMENT

#2

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CSHB 125 (W&M) Draft Version "E"

1 Page 6, line 16, following "* Sec. 5."

2 Insert "AS 37.07.070 is amended to read:

3 **Sec. 37.07.070. Legislative review.** The legislature shall consider the governor's
4 proposed comprehensive operating and capital improvements programs and fiscal plan
5 [FINANCIAL PLANS], evaluate alternatives to the plans, make program selections
6 among the various alternatives and determine, subject to available revenues, the level of
7 funding required to support authorized state services.

8 **(1)** The operating and capital budgets of each agency shall be separately reviewed.
9 During each regular session of the legislature, legislative review of the governor's
10 supplemental appropriation bills and the governor's budget amendments shall be
11 governed by the following time limits:

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

15 **(b)** [(2)] requests by the governor for budget amendments to state agency
16 budgets for the budget fiscal year may be received and reviewed by the finance
17 committees only through the 45th legislative day.

18 **(2) The presiding officers of each house may refer the fiscal plan to one or more**
19 **committees. The first committee of referral shall hold at least one public hearing on**
20 **the fiscal plan.**

Conceptual
AMENDMENT #3

OFFERED IN THE HOUSE

TO: CSHB 125 (W&M) Draft Version "E"

- 1 Page 5, line 5 through ^{line}~~page~~ 10, delete all material and insert
- 2 "(b) The governor shall present the proposed comprehensive operating and
- 3 capital improvements programs and **fiscal plan** [FINANCIAL PLANS] in a message
- 4 to a joint session of the legislature before the fourth legislative day following the
- 5 convening of the legislature in regular session except that in the first year of the first term of a
- 6 governor, the fiscal plan need not be addressed. The message must be accompanied by
- 7 an explanatory report that summarizes recommended goals, plans, and appropriations.
- 8 The report must contain"
- 9

newly
elected

Conceptual
AMENDMENT #4

OFFERED IN THE HOUSE

TO: CSHB 125 (W&M) Draft Version "E"

1 Where appropriate, replace "financial plan" with "fiscal plan" wherever it appears in title 37.07.

2

AMENDMENT #1

OFFERED IN THE HOUSE

BY REPRESENTATIVE HAWKER

TO: CS HB 125 (W&M) 25-LS0546\C

- 1 Page 1, lines 6-7, following "fiscal plan"
- 2 Delete "covering projected sources and uses of funds during"
- 3 Insert "estimating significant sources and uses of funds for"
- 4
- 5 Page 1, line 10, following "including"
- 6 Insert "lump-sum"
- 7
- 8 Page 2, line 5, following "funds"
- 9 Insert "held"
- 10
- 11 Page 2, line 9
- 12 Delete all material
- 13 Insert "(4) may, at the discretion of the governor, also include recommendations to"

*Adopted
without
objection
2/21/06*

Amendment #1 to amendment #1 offered in committee by Rep. Gruenberg

Following line 7, insert:

“Page 1, line 11, following ‘expenditures’

Insert ‘by department’”

Gruenberg moved the amendment to the amendment

Hawker objected

Discussion was heard

Gruenberg withdrew the amendment to the amendment

**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.



GLEN "KNICKER" 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** - Time and again we have expressed our concern that the state of Alaska, more specifically the Department of Transportation, performs work that could and should be done by private enterprise. Every year the amount of work the state takes away from private industry increases. Rather than working toward reducing the size of government, the bureaucracy just keeps getting larger.
- **Funding for vocational/technical education** - AGC has put a tremendous amount of effort into working

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 hide our heads 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. How many times are we going to go to Juneau with the same list and hope that maybe this time it will be different?

The public initiative process has been used to bring issues directly to the people. Maybe it is time to consider utilizing something similar to finally bring resolution to our list of priorities. Those who were recently elected promised things would be different if they were sent to Juneau. If our list is still the same next year I, for one, am ready to try something new.

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?



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. Garvee 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, Garvee Bonds represent an opportunity to spend non-existent dollars, thereby greatly 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.

2007 Policy Statement



**Approved by
AML Membership
November 2006**

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

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 economics 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 new revenues and equitable fees for state services to reduce the drain on dwindling state reserves. Consultation between state and local government is essential before the adoption of a broad-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.

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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.

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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.

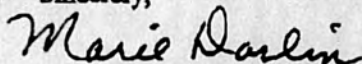
Many AARP members lived in Alaska when we had a state income tax. Many of our members live in communities that currently have a sales tax. Many have lived in other states that had both income and sales taxes. We understand that Alaska's fiscal situation, without a state income tax or a state sales tax, 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

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,

A handwritten signature in dark ink, appearing to read "Wayne A. Stevens", with a long horizontal flourish extending to the right.

Wayne A. Stevens
President/CEO

§37-69 The six-year program and financial plan. (a) The governor shall prepare a state six-year program and financial plan encompassing all state programs. Not fewer than thirty days before the legislature convenes in every odd-numbered year, the governor shall submit to the legislature and to each member thereof the six-year program and financial plan. The program and financial plan shall be annually and continually updated and maintained. The program and financial plan, in general, shall contain:

- (1) The state program structure;
- (2) Statements of statewide objectives and program objectives;
- (3) Program plans that describe the programs recommended to implement the statewide and program objectives and the manner in which the recommended programs are proposed to be implemented over the next six fiscal years; and
- (4) A financial plan that shows the fiscal implications of the recommended programs for the next six fiscal years.

(b) The information contained in the program and financial plan shall be presented generally in the following manner:

- (1) Information shall be displayed by programs, or groups of programs.
- (2) Programs shall be appropriately crosswalked to expending agencies.
- (3) Data shall be appropriately summarized at each level of the program structure.
- (4) Program costs shall include all costs, including research and development, operating and capital, regardless of the means of financing except that the means of financing shall be expressly identified; all costs shall be displayed in the year of their anticipated expenditure, regardless of whether such costs have been authorized to be expended by prior appropriations acts or are authorized to be expended by existing law, or require new appropriations or authorizations.
- (5) Cost data shall be presented in units of thousands of dollars or less.
- (6) Comparative data for the last completed fiscal year and the fiscal year in progress shall be shown.

(c) The financial plan for the ensuing six fiscal years shall more specifically include:

- (1) Economic data for the State and the counties of the following kinds:
 - (A) Population: Including historical, current, and projected population count; population distribution by age and sex; estimated increases and decreases, including increases and decreases by immigration;
 - (B) Employment: Including magnitude of labor force by age and sex; labor force participation rates; employment by age and sex; industry and occupational surpluses and shortages; effects of government programs on employment rate;

- (C) Income: Including per capita and per family income; disposable income; income distribution;
 - (D) Wages and prices: Including wages by industry and occupational groups; prices for government procurement items; construction costs; cost of living index; price indices for components of personal consumption;
 - (E) Industry and business trends; and
 - (F) Effects of national economic and financial policies and conditions;
- (2) Brief statements disclosing the basis upon which the revenue estimates in the plan were made, including for each specific tax and nontax revenue source:
- (A) The previous projections for the last completed fiscal year and the fiscal year in progress;
 - (B) The variance between the projections and the actual or revised estimate, and the reasons for the variances;
 - (C) Tax or source base and rates;
 - (D) Yield projections of existing revenue sources and existing taxes at authorized rates;
 - (E) Assumptions made and methodology used in projections;
 - (F) Changes recommended; and
 - (G) Projected yields if changes are adopted; etc.;
- (3) At the lowest level on the state program structure, for each program:
- (A) The total actual program cost for the last completed fiscal year, the estimated cost for the fiscal year in progress, and the estimated cost for each of the next six fiscal years; research and development, operating, and capital costs shall be included and the means of financing shall be identified. The number of personnel positions and all lease payments shall be shown for the program, identified by their means of financing;
 - (B) The program size indicators; the actual size attained in the last completed fiscal year, the estimated size for the fiscal year in progress, and the estimated size for each of the next six fiscal years; and
 - (C) The effectiveness measures; the actual level of effectiveness attained in the last completed fiscal year, the estimated level of effectiveness for the fiscal year in progress, and the estimated level for each of the next six fiscal years;
- (4) Appropriate displays of paragraph (3) (A) and (C), at every level of the state program structure above the lowest level, by the major groupings of programs encompassed within the level. The displays of [paragraph] (3) (A) shall appropriately identify the means of financing and the number of positions included in the level;
- (5) Financial summaries displaying the State's financial condition, actual for the last completed fiscal year, and

estimated for the fiscal year in progress and each of the next six fiscal years, including:

(A) A display of the programmed, total state expenditures, by cost categories, the total state resources anticipated from existing tax and nontax sources at existing rates, by resource categories, including the fund balance or deficit at the beginning of the fiscal year and bond receipts, and the resulting fund balance or deficit at the close of each fiscal year. Lease payments in each cost category shall be stated separately; and

(B) The changes proposed to the existing tax and nontax rates, sources or structure, and the estimated increases or reductions in revenues, the estimated cumulative increases or reductions, and the estimated fund balance or deficit in each of the next six fiscal years as a result of such proposed changes. Proposals for changes in the existing tax and nontax rates, sources or structure shall be made in every case where the proposed, total state expenditures exceed the total resources anticipated from existing tax and nontax sources at existing rates.

Such financial summaries shall be prepared for the total state expenditures and resources and for the general fund and special fund portions thereof;

(6) A summary of the balance of each special fund, actual for the last completed fiscal year and estimated for the fiscal year in progress and estimated for each of the next six fiscal years;

(7) A summary of the State's total bond fund required to carry out the recommended programs and the kinds of bonds and amounts thereof through which the requirements were met in the last completed fiscal year, are to be met in the fiscal year in progress, and are proposed to be met in each of the next six fiscal years. The summary shall detail, for each fiscal year:

(A) Of the total bond fund requirements, the amount, by cost categories, requiring new bond issuance authorization and the kinds and amounts of bonds planned for issuance under such new authorizations;

(B) By bond categories, the total, cumulative balance of bonds authorized in prior years but unissued and the amount thereof proposed to be issued; and

(C) A recapitulation of the total bonds to be issued, including both new authorizations and prior authorizations, by bond categories;

(8) Separately for general fund tax revenues, special fund tax revenues, general fund nontax revenues, and special fund nontax revenues:

(A) By kinds of taxes or sources, the amount of revenue

from existing, authorized taxes or sources at existing rates received in the last completed fiscal year and estimated to be received in the fiscal year in progress and in each of the next six fiscal years;

(B) A summary of the proposed changes in the existing taxes or sources or rates, and the estimated increases or reductions in revenues in each of the next six fiscal years resulting from such changes; and

(C) The total estimated revenues with and without the proposed changes in each of the next six fiscal years; and

(9) A summary of the State's total payments due under financing agreements required to carry out the recommended programs and the kinds of financing agreements and amounts thereof through which the requirements were met in the last completed fiscal year, are to be met in the fiscal year in progress, and are proposed to be met in each of the next six fiscal years. The summary shall detail, for each fiscal year:

(A) Of the total financing agreement requirements, the amount, by cost categories, requiring new financing agreement authorizations and the kinds and amounts of financing agreements planned for execution and delivery under such new authorizations;

(B) By cost category, the cumulative balance of financing agreements authorized in prior years but not executed and delivered and the amount proposed to be executed and delivered; and

(C) A recapitulation of the total financing agreements to be executed and delivered, including both new authorizations and prior authorizations, by cost categories.

(d) The program plans for the ensuing six fiscal years shall more specifically include:

(1) At the lowest level on the state program structure, for each program:

(A) A statement of its objectives;

(B) Measures by which the effectiveness in attaining the objectives is to be assessed;

(C) The level of effectiveness planned for each of the ensuing six fiscal years;

(D) A brief description of the activities encompassed;

(E) The program size indicators;

(F) The program size planned for each of the next six fiscal years;

(G) A narrative explanation of the plans for the program.

It shall contain, and in general be limited to, the following:

(i) A description of the kinds of activities carried out or unusual technologies employed;

- (ii) A statement of key policies pursued;
 - (iii) Identification of important program or organizational relationships involved;
 - (iv) A description of major external trends affecting the program;
 - (v) A discussion of significant discrepancies between previously planned cost, effectiveness, and program size levels and those actually achieved;
 - (vi) Comments on, and an interpretation of, cost, effectiveness, and program size data over the upcoming budget period, with special attention devoted to changes from the current budget period;
 - (vii) Comments on, and an interpretation of, cost, effectiveness, and program size data over the four years of the planning period and how they relate to the corresponding data for the budget period; and
 - (viii) A summary of the special analytic study, program evaluation, or other analytic report supporting a substantial change in the program where such a major program change recommendation has been made;
- (H) The full cost implications of the recommended programs, by cost categories and cost elements, actually experienced in the last completed fiscal year, estimated for the fiscal year in progress, and estimated for each of the next six fiscal years. The means of financing shall be identified for each cost category. The personal services cost element and the lease payments cost element shall be shown separately; the cost elements of other current expenses, equipment, and motor vehicles may be combined. The number of positions included in the program shall be appropriately identified by means of financing;
- (I) A recapitulation of subparagraph (H) for the last completed fiscal year, the fiscal year in progress and each of the next six fiscal years, by means of financing grouped under each cost category. The number of positions included in any program shall be appropriately identified;
- (J) An identification of the revenues generated in the last completed fiscal year and estimated to be generated in the fiscal year in progress and in each of the next six fiscal years, and the fund into which such revenues are deposited;
- (K) Details of implementation of each capital improvement project included in the total program cost, including:
- (i) A description of the project, location, and scope;
 - (ii) The initially estimated, currently estimated, and

final cost of the project, by investment cost elements and by means of financing;

(iii) The amounts previously appropriated by the legislature for the project, by cost elements and by means of financing specified in the acts appropriating the sums, and an identification of the acts so appropriating;

(iv) The costs incurred in the last completed fiscal year and the estimated costs to be incurred in the fiscal year in progress and in each of the next six fiscal years, by cost elements and by means of financing; and

(v) A commencement and completion schedule, by month and year, of the various phases of the capital improvement project (i.e., land acquisition, design, construction, and occupancy) as originally intended, as currently estimated, and as actually experienced; and

(L) A crosswalk of the program expenditures, by cost categories and cost elements between the program and expending agencies for the next two fiscal years. The means of financing and the number of positions included in the program costs to be expended by each agency shall be specified; and

(2) Appropriate displays at every level of the state program structure above the lowest level. The displays shall include:

(A) A listing of all major groupings of programs included within the level, together with the objectives, measures of effectiveness, and planned levels of effectiveness for each of the ensuing six fiscal years for each such major groupings of programs; and

(B) A summary of the total cost of each cost category by the major groupings of programs encompassed within the level, actual for the last completed fiscal year and estimated for the fiscal year in progress and for each of the next six fiscal years. [L 1970, c 185, §9; am L 1972, c 72, §§2, 5; am L 1974, c 219, §3; am L 1991, c 125, §2; am L 1996, c 119, §4]

Attorney General Opinions

Details of current year's lapses need not be set forth in supplemental appropriations bill and budget. Att. Gen. Op. 83-4.

Although express words "balanced budget" are not included in state constitution or statutes relating to state budget, constitutional and statutory provisions do require a balanced budget by requiring a description of proposed expenditures and sources of revenue to pay for them. Att. Gen. Op. 97-1.

Using historical data to make estimates for a future fiscal period is an acceptable planning tool. Att. Gen. Op. 03-2.

[Previous](#)

[Vol01_Ch0001-0042F](#)

[Next](#)