

ALASKA STATE LEGISLATURE

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SENATOR LYDA GREEN SENATE DISTRICT G FEBRUARY 27TH UPDATE

Many of you have read or seen my Budget 101 presentation which is available on my website. However, given the plethora of questions regarding the budget process, I thought it would be helpful to provide further explanation.

The Budget Timeline:

State agencies prepare their budgets during the late summer and fall of each year. Generally, agency budgets are scheduled to arrive in the Office of Management and Budget during November. The Governor submits his operating and capital appropriation bills to the legislature on December 15. At that time, the Governor reveals his priorities for the use of state funds. Next the House and Senate Finance Committees assign a finance committee member to oversee the budget hearings for each department. The subcommittees forward recommendations to the full Finance Committee for adoption into a finance committee substitute for the Governor's bill. Over the past several years, the House has passed the operating budget bill first. The committee substitute, when approved or amended on the House floor, becomes the House version of the budget and passes to the Senate. Normally the Senate makes some changes and replaces the House version with a Senate substitute after having gone through the same process. The differences between the two versions are resolved by the Conference Committee on the Budget, made up of three members from each house. This final version, following any Governor's vetoes, becomes the general operating budget for the next fiscal year.

This process is underway. The House subcommittees have met and are finalizing their recommendations on the FY 05 budget to the entire House Finance Committee. Once the substitute is adopted for purposes of discussion, public hearings will be held. Finance Committee members will then have an opportunity to propose individual amendments to the committee substitute and, when the majority of the committee members agree on the final

budget, the bill will be forwarded to the House floor for a vote. This will most likely occur within the next four to five weeks.

Meanwhile, the Senate subcommittee members are reviewing the department budget requests and will begin having meetings within the next two to three weeks. The Senate subcommittees will monitor what the House has done to the department requests and make their own recommendations on the FY 05 budget. The Senate Finance Committee will repeat the process the House Finance Committee went through and arrive at a budget to put before the Senate for a vote. This will most likely happen around mid-April. At that time, the House and Senate versions of the budget will be compared and the conference committee will iron out any differences.

More on the Constitutional Budget Reserve:

I have heard that the education community is being told that there is \$200 million "available" in the Constitutional Budget Reserve to fund education. I would like to take this opportunity to explain why the \$200 million referred to does not exist. It is not merely sitting out there for the taking.

The CBR is used to make up the difference between the amount of money appropriated by the Legislature for expenditures in a year and the amount of revenue received by the state. When the Legislature passes its budget, it votes on a CBR draw based on estimated oil prices at the time of the vote. Last session the Governor vetoed the Legislature's budget and cut the CBR draw to \$400 million.

Fortunately for Alaska, oil prices have remained higher than estimated. Accordingly, revenues to the state have increased. Thus, the gap between what was appropriated and current revenues has decreased by \$200 million. However, the final revenue shortfall will not be known until the end of the fiscal year. If oil prices go up, the fiscal gap will be smaller. If oil prices go down, the gap will increase.

Whatever the amount needed to balance the budget turns out to be, that is the only amount that is authorized for withdrawal from the CBR in FY '04. New expenditures are part of the FY '05 budget.