

Office of Management and Budget: Budget Reform Summary

This budget reform legislation would restructure Alaska's budget process from annual to biennial. It would also add penalties, through stoppage of pay and loss of per diem, if the Governor or the Legislature fail to complete their budget duties by statutory deadlines.

Meet Deadlines or Endure Consequences

First, this legislation would require the Legislature pass a budget by the deadline set by the Alaska public in 2006 -- the 90th day of a session. The consequence for not doing so: beginning on day 91 of the legislative session, legislators would forfeit per diem and their salaries would be withheld until a budget is passed. Legislators may not retroactively grant themselves their per diem. Second, the Governor's salary would be withheld for as long as he or she is late in submitting the budget bill to the Legislature and the public after the December 15 statutory deadline.

Finishing budget work on time is critical. Delays in passage of the Alaska budget have significant public consequences. For example, issuance of motor vehicle licenses and public assistance payments may be delayed. School districts are faced with funding uncertainty and are forced to send pink slips to teachers and staff. State agencies are required under the provisions of collective bargaining agreements to submit layoff notices to each public employee in anticipation of a government shutdown. The Alaska Marine Highway System can't publish the ferry schedules in a timely fashion. Economic consequences include uncertainty over time-sensitive fisheries openings, potential delays in issuance of resource development permits, and the list goes on and on.

This legislation would incentivize the Alaska Legislature and Governor to finish their budget work on time yielding significant benefits including ensuring the uninterrupted delivery of service to the Alaska public, more certainty for school districts, and improved state and local employee morale.

The effectiveness of this approach has been proven by the State of California. Voters in California, disgusted by legislative gridlock, approved an initiative (Proposition 25) that created a constitutional amendment requiring its legislature to pass a budget on time or forfeit pay for each day the budget is delayed. The results speak for themselves. From 1980 to 2010, a thirty-year period, twenty-five budgets passed late. In 2008, the budget was 100 days late. In 2011, the first year under Proposition 25, after legislator pay was cut off, the budget was passed 12 days late. Since 2012, the California legislature has passed the budget on time each year.

A Biennial Budget Process

This legislation proposes converting Alaska's budget process from annual to biennial. The Governor would be required to introduce an operating, capital and mental health budget in the first session of each two-year legislature that provides funding for the coming two fiscal years. The Legislature would pass a two-year budget by day 90 of the first session. While the Legislature could still review policy legislation, its primary focus during its first session would be the budget. During its second session, the Legislature would be able to focus on policy bills with far less time devoted to supplemental spending and budget amendments.

Office of Management and Budget: Budget Reform Summary

The benefits of a responsible biennial budget would be significant, including more efficient use of the Legislature's time by avoiding long, drawn-out budget battles every session, avoiding the temptation to use the budget as a bargaining chip in election years, providing fiscal stability by reducing uncertainty about longer term funding levels, improving employee morale by avoiding pink slips, allowing longer-range fiscal planning for state and local government, and shifting agency and legislative staff time from budget preparation to financial management, program results and policy development and implementation.

While Alaska will face challenges without a sound and comprehensive fiscal plan, biennial budgeting would lay the groundwork for a longer-term view on spending and help us focus on a fiscal plan that provides stable, predictable revenues.

This is not a partisan issue. At the federal level, congressional leaders, including Speaker of the House Paul Ryan (R-WI), have proposed moving the federal budget from annual to biennial; they assert that this would lead to more reasoned deliberation and would allow for increased congressional oversight.

Conclusion

In summary, the combined changes proposed in this legislation would have significant public benefits and would allow the Governor and the Legislature to complete their work on time and effectively in the interest of all Alaskans.