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Brian Rogers

Scott Sterling, interviewer

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Scott Sterling said they will be discussing the state budget process. He said the new legislature and the new governor are addressing the problems of forming a budget in a time when the oil revenues are declining. Governor Sheffield has proposed something new for the budget. Brian Rogers said this will be the first budget prepared under the constitutional spending limit adopted by the voters last November. The governor is proposing a portion of what used to be operative spending be from the Permanent Fund Dividend account. That would be for municipal governments and for the longevity bonus programs. The major change is a change to what is called lump sum budgeting. Rather than having dozens of appropriations for each division each agency would have one appropriation with the flexibility to move it around a bit. It means much more flexibility for the administration.

Sterling asked if there were statutory limitations the governor faces on his ability to move appropriations between agencies. Rogers said the governor may not move money from one appropriation to another without approval of the legislature. For example, the governor could not move money from the Department of Revenues to the Department of Administration. Formerly there would be appropriations for different divisions. Under this budget money could be moved without going to the legislature. The governor's budget does show in detail how the money is going to be spent, but he is not held to that if he needs to make changes. In the detailed budget books, there are pages and pages of information. The bottom line for agencies is set if the legislature passes the governor's proposed budget.

Sterling asked how the legislature is reacting to the governor's budget proposal. Rogers said it has not been favorable. The legislature is saying their responsibility is the power of the purse. Only the legislature can enact appropriations. The general reaction is they are willing to give the governor more flexibility, but not that much. The University of Alaska has been asking for a lump sum. The number of appropriations for the university has been going down from 39 to 26 to five or six. Rogers doesn't think the legislature will go any further.

Sterling talked about the power to move money within appropriations is a significant power and it seems like the legislature's interest is making sure not too much of that is going on. Rogers agreed and gave examples of the kind of thing that can happen. Within the office of the governor are a couple of independent commissions. The commission of the status of women for example. In former years there would be separate appropriations for the different portions within the governor's office. This year there would only be one appropriation. In theory all the money for the commission of the status of women could be taken away and moved to other parts of the governor's budget. The legislature does not want to see that. There will be several key areas the legislature will insist on a separate appropriation level.

Sterling asked if what the governor is proposing will be applied to capital projects. Rogers said the governor has proposed that. He thought the legislature will be unwilling to give a blank check. He thought the governor and legislature will agree on projects ready to go in the summer.

Sterling asked if the governor's proposal would help to limit the length of the legislative session. Rogers said it could. If they are looking at ten or 12 agencies and their bottom-line numbers there is a lot less detail work to do. He didn't think it will make a huge difference.

Sterling asked about some kind of compromise between the way things were done in the past and the way the governor would like to do it this year. Rogers said that would be his expectation.

Sterling asked about budget process history in the state. Before Alaska was a state Rogers said there were essentially three people working on the budget. That was the governor, the budget officer and the treasurer of the state. They had to stay within the congressional limits and they couldn't budget for anything other than what was appropriated by congress. The legislature could approve it. It was a fairly small budget and a simple process. In the mid-1950s the legislature created the division of legislative audit. They were looking at how the money was being spent. Immediately following statehood this new state had a whole lot of responsibilities. They had to raise their own money. It had to provide for its own budget. The first legislature was very prolific. They had to adopt a lot of taxes in order to bring the new state on. There was a lot of turnover between the first and second legislature. People were not happy with the level of taxation. Through the 1960s the budget was put together on an agency by agency basis. The governor put it in and the legislature made some changes. There was very little capital budget and some bond issues. The state was living hand to mouth. They finally realized they were passing bills that had fiscal impact without providing for the cost. In the 1960s they established a process for fiscal notes. The 1969 legislature knew the sale at Prudhoe Bay was coming. They began thinking about what they were going to do with the bonuses. The 1970 legislature came in and knew they had a lot of money. Rogers said history shows they did a pretty good job. There is a misconception the 900 million was thrown away, but he didn't think that was the case. They shifted from agency budgeting to program budgeting. They began looking at what was being delivered by the agencies and if they were meeting their program goals. They established legislative full-time fiscal staff. Operating expenditures took off fast. The state was paying more for education. The capital budget jumped from two million dollars one year to 61 million dollars the next year and 36 million the following year. In 1973 they realized the pipeline wasn't coming on as fast as they thought and the money was going to run out. That budget went back down to two million dollars in fiscal year 1973. They were looking at the long-range situation. They knew tax money would be coming, but they better not spend the money until they received it. The capital money shrunk as quickly as it went up. The operating program in the mid-1970s realized there was trouble on the horizon. By law the state has to balance the budget. They passed a one-year property tax with credits in the future. This floated the state until pipeline revenues started coming in. They adopted a new process of time limits for the legislative sessions. They also adopted a new process for the capital budget. It was a six-year capital improvement plan. This plan has been largely ignored until the Sheffield administration. Then came the explosion of revenues in 1980. There was a shift in the budget away from a statutory measured way one puts together a budget to a haphazard collection of appropriation bills. There was a return to agency budgeting. The Sheffield administration wants to push back to program budgeting.

Sterling asked if there were other significant revenues besides oil such as timber and fishing. Rogers said they are not significant in terms of the overall picture since Prudhoe Bay. Prior to Prudhoe Bay there were a host of taxes. A major one was personal income tax and corporate income tax. He said right now ninety percent of the budget are due to oil revenues.

Sterling said oil revenues are determined by market conditions and wonders if it is difficult for the state to determine what they have to spend. Rogers said it is very difficult. In 1980-81 the prices were rising. With falling prices in 1982 and 1983 they are seeing less and less money available. It is difficult to do long range planning. The state has adopted several measures to work that out. The Department of Revenue and legislative finance predict based on various assumptions and comes up with a range of guesses. He said no other state in America has such a wide disparity as we do.

Sterling asked Rogers to explain how the legislature comes up with a budget before they know the revenues they will receive. Rogers said the legislative finance and the Department of Revenue project how much money will come in during the coming fiscal year. If the revenues fall then they are in trouble. In 1980 the legislature created the rainy-day account. It has 350 million dollars.

Sterling asked if the budget process is not designed to accommodate the kind of revenues we received. Rogers thought so. The number of appropriation bills increased dramatically in 1980-1982. They had several different places where an appropriation could come from. The last few years money can come from several different places. He said any large budget is a chaotic process. There were rule changes such as no bill title amendments once it has passed the state house. So, they can't add hundreds of appropriations to a small planning grant. Powers of pre-conference committees have been curtailed dramatically.

Sterling asked about spending limits passed by the voters. Rogers said a lot of interest came from people who saw the budget growing quickly. He said the big growth in the budget was in money for local government and the capital budget also grew. Rogers said the biggest consequence will be a third branch of government involved. He thinks the courts will ultimately have to determine what will happen.

Sterling asked if the budget process will be the same as we have seen in the last few years. Rogers thinks it will not due to the big rules changes. Governor Sheffield will likely be using the powers of the office of the governor. Alaska has a strong governor format written into our constitution. He thinks there will be more bitter battling over the budget than we have had.

Sheffield said our revenues are declining and that is inescapable. Rogers said yes, we are on the decline. The governor's budget is over three billion dollars for this year. In the long run we can't sustain a budget over one and a half billion. There will be cuts somewhere. The question for this legislature is are they going to do it or will it be in some future year.