

off the record

a legislative
update from
Senator Kim Elton

a bi-weekly way to stay in touch

Room 115, State Capitol, Juneau, AK 99801 ♦ 465-4947 ♦ 465-2108 FAX ♦ January 18, 2002

Capitol Undercurrents

What's it all about?—The majorities in both branches of the legislature took up four vetoed bills Wednesday evening and overrode the vetoes. Three of the four bills were about political advantage. Only one, a bill that begins a process that could lead to rail access to the northern reaches of Denali Park, was about policy. The first bill opens a big-money loophole to the state's rigorous campaign finance law. Instead of having the gold standard when it comes to campaign finance law, we now have the aluminum standard. The second override constrains the participation of an environmental non-profit in campaigns. The final override was a situational politics bill. It provides that Sen. Murkowski, if elected governor, will appoint his successor to the U.S. Senate.

Halford and Porter sitting in a tree, D-I-S-S-I-N-G—capitol insiders who own every one of Miss Manners' books were set a-twitter Wednesday by the decision of the Senate president and House speaker to step all over the governor's state of the state address by scheduling veto overrides immediately preceding the gov's defining annual speech. Protocol normally precludes fouling the nest just before the state of the state speech spreads its wings. Some with long memories speculate the slight was intentional to "get even" with the governor for scheduling his end of

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Budget diet lacks vitamins

Welcome to the fiscally challenged legislature.

The gap between what we spend and what we earn is \$1,000,000,000. Our reserves will be squandered within 24 months. This year we could cut every penny the state spends on public schools and the university and still have minus cash flow.

So far there are two solutions proposed. The governor and a bi-partisan group of moderate Republican and Democratic legislators say raise revenues (OK, OK, that's a euphemism for 'imposing taxes'). GOP hardliners, especially in the senate, say cut the budget more. Of course there is a third solution nobody talks about—use permanent fund earnings to fill the budget gap instead of to pay dividends.

For the past decade we've done what the hardliners want—cut spending. Alaska is the only state in the nation that cut spending over the last decade. We now spend less per capita on individual Alaskans than we did just before turning the spigot on the oil pipeline in 1979.

Despite the spending cuts, our general fund budget is in arrears a billion dollars.

It seems time to admit that overspending may not be the big problem. After all we have deferred maintenance needs on our schools, ports, harbors, roads, and other infrastructure that total between \$1.5 and \$2 billion. We can't recruit troopers, or nurses, or biologists, or social workers because the state is no longer competitive with the private sector or the feds. Last year we lost \$10 million because of 12-month delays in permitting oil and gas leases because we aren't spending \$500,000 to get the people to do the work in a timely manner (I'd be remiss if I didn't also point out that not only did the state lose \$10 million but the lease holders lost timely development opportunities).

It's not over-spending as much as it is under-earning. The golden goose on the North Slope is laying smaller eggs. Less oil is being pumped. The "Prudhoe Production Curve" that goes up and then comes down is no longer a concept, it's a reality.

We need a budget plan that admits, given the onset of reality, that deep state budget cuts, in the magnitude of a couple hundred million dollars, have not prevented a budget gap of a billion dollars. We need to admit that a proposed constitutional spending limit that saves \$112 million after ten years makes less sense than hiring Elizabeth Taylor as a marriage counselor.

I'd argue our "five-year budget cut plan" and spending caps don't just chop dollars, they also make us anemic. A plan that relies only on cuts, is like some



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budget diet...

diets where we not only lose weight, but strength. We need to mix a diet plan with a business plan. Sure, businesses cut some calories but they also take some vitamins. Successful businesses invest in their people, invest in their plants, invest in R&D, invest in their markets. They don't just cut.

Reps. Beth Kerttula, Bill Hudson and I were invited to speak to the Business Roundtable/Juneau Chamber of Commerce lunch Wednesday. In return for a free lunch, we were required to address the question: "Will this be a business friendly legislature?"

My answer was "maybe". But that's only if we do things differently from what we've done the last several sessions. Growth depends on a legislative culture that focuses on what we can do, not what we can't do. Better schools?—can't afford it. GARVEE bonds (doing what other states do, paying bonds with future federal receipts) for \$400 million in road projects?—can't do it.

Our mantra for the past seven or eight years is: "we can't."

It wasn't always like this. I stood with much of Juneau on the downtown docks to welcome the first state ferry. We built the Marine Highway System when we were dirt poor. We had "can do" leaders. But now some legislators say we can't afford to maintain the ferry system. I graduated from JDHS with two schoolmates who became skippers on the ferries, with a future mayor and attorney general, with three schoolmates who are prominent bankers, with schoolmates who write children's books, who teach, who make music, with many other schoolmates who learned the skills that led to jobs that supported families. Now we have legislators who say public schools, the real engines of our economy and our communities, have enough even though the erosion of inflation already has made every state education dollar worth 75 cents.

We need leaders who talk about what we can do. But that creates a political difficulty because the only way we can do something is to start replacing diminishing oil dollars with tax dollars. And that means Alaska will cease to be the only political jurisdiction in the U.S. where individuals get more money from the state than they contribute to the state.

The governor and the bi-partisan fiscal policy caucus in the legislature are talking about what we can do, and they've laid out how we can pay for it. I'm a member (along with the rest of the Juneau legislative delegation) of the fiscal policy caucus that has come up with a mix and match tax package to backfill the chasm between state spending and earnings. I was one of those on the floor of the joint session that applauded the governor's call for additional revenues.

I believe that if we really want to go "North to the Future" we had better not 'go south' by thinking poor.

undercurrents continued...

session press conference last year at the same time the legislative majority scheduled theirs.

And in this corner—Former Republican governor Jay Hammond has signed on as co-chair of Democratic gubernatorial candidate Fran Ulmer. Not entirely unsurprising, say some pundits, since Fran worked for Hammond. Those pundits may be spinning the news since Frank Murkowski, the likely GOP gubernatorial candidate, also worked for Hammond. Murkowski was commissioner of the Department of Commerce in the Hammond administration. Those pundits who profess no surprise that Hammond supports his former employee, Ulmer, could spin the other way by pointing out that Hammond is not supporting his former commissioner, Murkowski.

Hey big spenders—News from the national front: over the last quarter century, we've had a Democratic president for 12 years and a Republican president for 12 years. During the donkey years government overspent revenues by an average of 7 percent and during the elephant years government overspent revenues by 22 percent.

Whither go the teachers?—Recently the *Anchorage Daily News* did a big feature on the marketing phenom Costco. The story noted that cashiers at the giant retailer make \$40,000 after three years. Later, an *ADN* letter writer noted that a public school teacher in Anchorage makes less than \$35,000 after three years despite spending tens of thousands for a degree. For the record, a Juneau teacher with a Bachelor's degree makes just over \$36,000 after three years while a Juneau three-year teacher with a Master's plus additional credits makes over \$41,000.

Ship of state hits rough seas—Legislators and legislative aides who arrived in Juneau on the state ferry Tustamena Wednesday were tossed about in something less than a "Perfect Storm," but still awe-inspiring gale as they entered the Gulf of Alaska. The corkscrew motion of the ship had people rushing for the rails in much the same way the corkscrew ending of a legislative session sends Alaskans to the figurative rails.

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