

off the record

a weekly way to stay in touch

a legislative
update from
Senator Kim Elton

Room 115, State Capitol, Juneau, AK 99801 * 465-4947 * 465-2108 FAX * February 21, 2003

Capitol Undercurrents



Fiscal forum out takes—Thursday evening's televised thumb-sucker forum on the state's fiscal gap was pretty interesting for us policy wonks but, let's face it, forums like this will never steal



voters from other reality-television programs. One of my favorite moments was when former Gov.

Hammond, long

derided by the bulldozer crowd as being too 'green', said that he was actually a closet developer because capital spending exploded during his tenure. He added that Veco owner Bill Allen was actually a closet environmentalist because he saved a lot of pulp when he shut down the aggressively pro-development Anchorage Times. Another favorite moment was the comment by Sen. Con Bunde who, in a discussion of the fiscal gap, said "the last election shows people love fairy tales."

Apology accepted—This newsletter doesn't spend much time on federal issues except as they apply to our state. But I want to note I was personally offended when Defense Secretary Donald Rumsfeld said in response to a congressman's call to resurrect the military draft that those who couldn't get draft exemptions were "sucked into the intake, trained for a period of months and then went out, adding



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Budget numbers can obscure budget truths

This month, *Governing* magazine recycled the old story about a farmer who wanted to save money by putting his horse on a severe diet. Weeks later, another farmer asked how the experiment was going. "It was going great," the first farmer answered, "but just as I taught my horse not to eat at all it up and died."

The moral tale kicked off the magazine's 77-page treatment of how all 50 states tax and spend. The horse story and the magazine coverage is timely in a year in which most states are slashing programs and raising taxes to balance budgets hammered by the nation's economic doldrums.



The *Governing* stories and analyses culminated a yearlong effort by a team of the magazine's staffers. Their final conclusion: "the vast majority of state tax systems are inadequate for the task of funding a 21st-century government."

Here's what *Governing* says about our state:

- our revenue stream needs dramatic reform;
- tax fairness (for those who pay taxes) has room for improvement in Alaska but is pretty good; and
- management of our limited tax system is okay but would benefit from change.

The magazine spent half the page dedicated to Alaska explaining why our tax and spend issues are so different from the other 49 states (the biggest difference, of course, is oil) before getting to the nut—Alaska has three years to make some very difficult decisions. That's because pipeline flow is down to about half its 1988 peak and our rainy day account is disappearing faster than a mud puddle in Phoenix. The magazine quotes our tax division director saying we're on the edge of a train wreck and then the reporter says most Alaskans have yet to hear the warning whistle.

That's because of the "Alaska disconnect", the magazine reports. Residents get a \$1,500 check and "a full generation has grown up in Alaska since the state revoked its personal income tax." How can things be bad, the magazine suggests, when you get money from the state rather than give money to the state.

I mention all of this because *Governing's* lengthy analysis of the state of the states provoked some parochial thoughts. Alaska's fiscal reality is bizarre when seen through others' eyes. In an 'average' state, well over 3/4s of the state's budget is covered by individual income taxes, sales or gross receipts taxes and selective sales taxes (like alcohol, motor fuel or tobacco sales

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budget truths...

taxes). In Alaska, less than 10 percent of our tax receipts are selected sales taxes and we have no personal sales or income taxes.

And I also mention this because the more I focused on the numbers, percentages, pie charts and comparison graphs in NCSL reports or in-depth magazine special editions, the more I found myself forgetting about the real issues. When we focus on graphs and percentages, we cannot forget what's behind the numbers and charts: safe neighborhoods; educated children; jobs that support families.

Heather Lende, a Haines school board member and columnist wrote this week in the *Anchorage Daily News* about having to vote 'no' on rehiring a teacher—the same teacher who taught her newly adopted Hungarian daughter to love school. Then she voted to lay-off the school librarian who introduced her son to Gary Paulsen's books.

That's what budget cuts are. They're tough decisions by school board members, or police chiefs, or families who leave to pursue opportunities elsewhere. They're not lines on a graph or multi-colored pie charts. They are missed opportunities. Budget cuts have nothing to do with dreams and everything to do with nightmarish decisions by school board members, other community leaders, families.

These budget cuts don't even equal a budget plan. There isn't a business around that calls a 'cut' a 'plan'. Cuts can be part of a plan but successful businesses also make investments—investments in people, in markets, in R&D, in plant maintenance and in technology upgrades. These businesses balance the 'can't do' with the 'can do'.

House Minority Leader Ethan Berkowitz said at a luncheon forum this week that we're drifting away from an entrepreneurial approach to our future and pinning our hopes on largesse from Washington D.C. or hopes of a new bonanza. I think he's right.

There's a country-western lament that "everybody wants a free ride up to heaven, nobody wants to make the climb." I'm afraid that Alaska's budget, when it finally is unveiled by the governor, will just focus on federal largesse (that can be as ephemeral as a Britney Spears ditty), hoped for future prospects, and more budget cuts. Instead of making the climb we'll be waiting for a chariot.

The governor and his staff are already hinting there will be little relief for Heather Lende and others like her around the state. We won't really know for a few more weeks what he and his staff are trying to prepare us for. (March 6 is the statutory deadline for the governor's budget amendments and this year the amendments really are the budget because the document given us at the beginning of the session was simply a placeholder.)

The whispering about the budget from the third floor is ominous. Cabinet officers are offering 5 percent and 10 percent cut scenarios. We're being told we can't do it all. The unsubtle message is "brace yourself".

That's a different message than the one offered by one of Alaska's most seasoned governors. In 1994, back when the nation's economy was wallowing in an economic trough and after four year's of decline in North Slope production, Gov. Walter Hickel said just before leaving office: "There is no vision, no hope, no future, no agenda for Alaska, if your only ideology, if your only philosophy, if your only cause is to cut the budget."

I suspect Gov. Hickel's words are more inspiring to Heather Lende than what she's hearing now. I suspect Heather is tired of waiting and wants to begin the climb.

Undercurrents continued...

no value, no advantage, really, to the United States armed services over any sustained period of time." I served in Vietnam as a draftee and many of the more than 58,000 American servicemen who died in Vietnam were draftees. I was pleased when Secretary Rumsfeld apologized for his remarks. I do believe he was sincere in his apology and that his earlier comments were a mistake that sometimes happens when public officials are asked questions and respond off the cuff.

Policy schizophrenia—Does anyone else think it strange that the AG's office has filed a motion in support of existing oil pipeline tariffs set in a mid-1980s agreement between the state and pipeline owners but the permanent fund board of directors unanimously passed a resolution that the state's oil and gas commission conduct an investigation of concerns "in respect to the costs associated with transporting oil developed from state leases"? The permanent fund board's resolution wants the commission investigation to include maintenance and operational costs, including tariff and facility pricing, that could limit the amount of oil developed from state leases.



Contact Us

Phone: (907) 465-4947

Fax: (907) 465-2108

Mail: Sen. Elton, State Capitol
Juneau, AK 99801

Email:

Senator_Kim_Elton@legis.state.ak.us

Jesse_Kiehl@legis.state.ak.us

Paula_Cadiente@legis.state.ak.us

Web: <http://www.akdemocrats.org>

To unsubscribe, call 465-4947 or send email to
Paula_Cadiente@legis.state.ak.us