

## Fiscal gap requires nonpartisan cooperation, thoughtful planning

*Session ended without solutions*

### **Voices Of Alaska**

*By Rep. Ethan Berkowitz*

The story of this session is more remarkable for what did not happen than for what did. Gov. Frank Murkowski and the Republican majorities rode to victory on the twin platforms of resource development and no new taxes and the assurance that with the stars aligned, the fiscal gap would be solved. Major resource development remains elusive, the fiscal gap yaws, ready to send the economy into a tailspin, and efforts to close out the budget without Democratic participation led to a series of contortions and gamesmanships that put partisan politics before Alaska needs. That's why political astronomers admit that they maybe need new telescopes.

One can see the problem by focusing on the fiscal gap.

Democrats have said repeatedly that we would entertain a fiscal plan that was fair, that added up, and that protected the Alaska economy. We began this session respecting the mandate of the last election and allowed that we would give the governor every chance to succeed. We watched and waited for Murkowski to propose a comprehensive fiscal plan, but he never did.

As far as the fiscal gap goes, Murkowski never really engaged the Legislature, never demonstrated commitment to his ideas for the fiscal gap and never provided the leadership needed to solve the problem. His ideas lacked coherence, being a grab bag of random taxes and user fees and budget cuts targeted more at the bottom line in the budget than in delivering the level and quality of service necessary for government to best serve the state's needs. The administration's style further complicated the issue alternating between complete lack of involvement, threats to recalcitrant legislators and untimely intervention that upset precarious legislative balance.

A desperate last-minute bid to impose a sales tax foundered because the Senate never embraced the idea, the governor remained lukewarm until the waning moments of session, and most crucially, because the plan itself was flawed, both politically and economically.

The primary political failure came because the plan largely neglected to take into account the revenue needs of the 97 Alaska communities that already have a sales tax and because legislative leaders rejected discussion of any other proposals. Economically, the sales tax offered had not been subjected to rigorous analysis as to its impact on the economy.

In addition, the tax should have been the product of expert consultation and advice and was not.

The trajectory of this failure was obvious since its launch, which is why Democrats have insisted that we need "a plan for a plan," leading to a comprehensive fiscal plan for the state, one that integrates state and local revenue raising measures.

Rather than put in the hard work needed to arrive at a fiscal plan, the administration has chosen to inflict deep cuts on the state budget. Legislative acquiescence to cuts of this magnitude amounts to an abdication of responsibility and does injury to the notion of checks and balances central to our system of governance. Importantly, the economic consequences of withdrawing several hundred million dollars from the state's economy are dire and the costs to maintaining critical services and the quality of life are irresponsible. For example, breaking the promise of the longevity bonus raises questions of the state's credibility that will take a generation to repair as does incomplete funding of the state's obligation regarding bond debt reimbursement. It constitutes a moral and ethical failure to sacrifice credibility for budgetary expedience. Former Gov. Walter Hickel was right

when he warned that "[t]here is no vision, no hope, no future, no agenda for Alaska, if your only cause is to cut the budget."

Democrats offered approximately \$700 million of revenue raising measures. Carbon sequestration, an emerging global market that would allow Alaska to sell pollution credits while simultaneously encouraging forestry and heavy oil recovery, could raise upward of \$400 million. Sale of state assets, amounting to a consolidation of the state's bonding entities, also could assist to the tune of \$150 million to \$200 million. Better use of the railroad's bonding authority could ease pressure on the capital budget.

Efforts to reduce pipeline tariff costs similarly could decrease state costs while stimulating oil production.

We are only marginally closer today to resolving the fiscal gap than we were at the beginning of session. This is an Alaska problem that defies partisan solution. I look forward to the time when Republican officials offer all Alaskans a meaningful place at the table and show an open mind to innovative approaches and solutions to the fiscal gap.

Already, we skate too close to a dangerous tipping point.

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