

off the record

a weekly legislative
update from
Senator Kim Elton

Room 504, State Capitol, Juneau, AK 99801 ♦ 465-4947 ♦ 465-2108 FAX ♦ April 9, 1999

on the move

bills seeing action this week

SB 129 Separate Accounting for M/V Malaspina

(by Senate Finance) Establishes separate accounting for operating and capital funds for the Malaspina dayboat. Any profits will be transferred to the entire AMHS fund at the end of the fiscal year. (Sponsor statement says: "the legislature does not intend to subsidize the operation of dayboats".) DOTPF and sponsor are working out disagreements. Heard and passed out of Senate Transportation 4/8, in Senate Finance.

SB 112 Running Start for H.S. Students

(Elton, D-Juneau) Allows qualified H.S. students to take UA courses in their 11th and 12th years. Tuition is paid by the H.S., students receive both H.S. and college credit. Hearing scheduled for Senate HESS, Wednesday 4/14 1:30 PM rm. 205.

SB 101 Definition of Disaster

Narrows the definition of disasters to exclude "economic" disasters such as plane crashes, erosion problems, epidemics, crop failures. Sets limits on spending from disaster relief fund, depending on severity of disaster. Limits governor to declare only 2 flood disasters: one at \$5 million and one at \$1 million. Started in a close vote: 10 yeas, 9 nays, and 1 absent; passed under reconsideration 4 to 9.

HB 136 Millenium Plan

(Therriault, R-Fairbanks) A restructuring of the state's tourism marketing program. Lowers the state's funding slightly, and provides for money to go to a "qualified trade organization" to carry out the state's marketing efforts. Plan also depends on voluntary contributions from industry members and local tourism marketing councils. Committee substitute responds to concerns of Dept. of Commerce. In House Labor and Commerce today, 4/9; scheduled for House Finance 4/14 1:30pm.

(On the Move, cont'd on p. 2)

Pick your poison

WITH JUST FIVE WEEKS left in the session, it's crunch time in the capitol on a long range fiscal plan.

Last week, Senate Finance looked at more plans which propose variations on the theme of using income from the state's assets. Just about everyone agrees that a big fix means using income from the permanent fund in some way. But, no matter how you structure it, the combined earnings of the permanent fund, budget reserves and other big assets like AHFC and AIDEA aren't enough to fill the budget gap and continue life as we know it—a life without state taxes and with hefty permanent fund dividends.

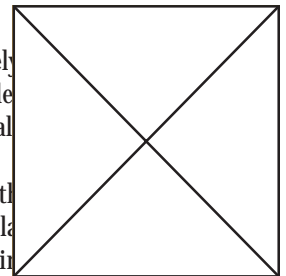
The real question is, after tapping into the income from our assets, which poison pill to swallow— either (a) cut, cap or eliminate the PFD; or (b) institute a broad-based tax, either sales or income. There are fiscal consequences, and political consequences, with each choice.

Last week Rep. Phillips and Hudson opted to cap and, over time, eliminate the dividend rather than fill the budget hole with broad taxes. Their plan includes some small taxes, including a \$100 per head school tax, but those taxes are more likely to fly under the public radar and meet less resistance than an income tax or state sales tax.

Former Sen. Steve Rieger goes in the other direction, with an endowment plan which mostly protects dividends, leaving them above the \$1000 level. His plan yields more in earnings because of the way it is structured, but it doesn't account for inflation in the state budget and doesn't allow for future population growth. That means hefty budget cuts for years to come. If those reductions don't materialize, taxes will be inevitable.

The issue really comes down to how to spread the pain. And there are two kinds of pain for legislators facing this choice: fiscal pain and political pain. Capping or eliminating the PFD is politically easier, but is a regressive action that hurts low-income Alaskans far more than it does the wealthy. Imposing an income tax is politically painful but spreads the fiscal pain more evenly

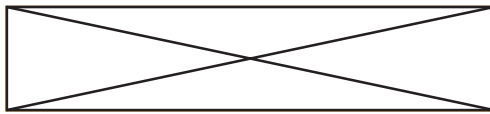
(Poison, cont'd on p. 2)



**capital
move
pulse:**

no new action this week.

Capitol Undercurrents



Other words from Washington

Last week I noted that Don Young was in Juneau staking out positions "considerably distant" from state GOP legislative dogma. This week, Ted Stevens blew through town after a six-day Mexico sun break and then rained on, or at least drizzled on, some GOP legislative positions. He strongly supported: more money for a university that can "enrich brains" needed for the next century (many legislative leaders are balking at the UA's request for an additional \$16.3 million); and state support for the Western Alaska fisheries disaster (the senate just passed a "disaster aid" bill that pretty much rules out future assistance to Western Alaska). He also warned that his Denali Commission and the federal dollars attached to it should not supplant state efforts in rural Alaska (some GOP legislators suggest some DCRA rural programs may not be needed in lieu of the new commission).

Rx for the budget pain?

As children, we used to giggle when we'd tell a classmate complaining of a tummy ache to "hit your head with a hammer and you'll forget all about your poor little stomach". That's kind of like what's happening to the legislature—worried about the budget gap? Let's hit you with the BP-Arco merger plan. We did temporarily stop thinking about the fiscal gap so we could worry about a possible North Slope oil monopoly that may reduce competition for state-owned oil resources, cost jobs, and threaten Alaska's oil service industries. The administration has announced its review team for the merger plan, the legislature has yet to identify a process of review, and Don Young thinks Alaska should start its own oil company.

Whoa! Listen up here

During the eight hour hearing the House Finance Committee held last week on the proposed operating budget, a constituent

not previously heard from offered some advice. Fairbanks minister Neal Matson began his testimony in support of a poor Alaskans by saying "I want to presume to speak for God."

Hey mom! Look at the three whales

"Hey son, look at three of a kind." Eagle River Republican Pete Kott introduced a house bill Thursday that allows pull tabs and video lottery games on state ferries.

What goes up still comes down

Oil price hikes don't necessarily lighten a glum situation. Even though the price of Alaska North Slope crude is up \$5.50 in seven weeks, the revenue forecast for next year is still pretty grim. First, though prices now hover above \$15, the Department of Revenue projects those prices won't be sustained through the next fiscal year and predict instead an average price of \$13.57. Second, even with prices going up instead of staying in the tank, North Slope production continues to decline. The next fiscal year's budget shortfall is forecast to be \$942 million, down just slightly from this year's shortfall.

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throughout the population.

If you were in the driver's seat, what would you choose? Make your picks and send your choices back to me.

#1. I prefer to:

- ☐ a.) Cut PFD's
☐ b.) Institute broad-based taxes

#2 If you chose a.), do we

- ☐ cap PFD at \$1000 and add user fees/taxes
☐ eliminate PFD entirely

#3 If you chose b.), do you prefer

- ☐ state sales tax
☐ income tax

Let me know what you think! Return your answers to: FAX 465-2108 or mail to Kim Elton, State Capitol, Juneau, AK 99801

(On the Move, cont'd from p. 1)

SJR 3 Repeal of Regs

(Taylor, R-Wrangell) A repeat of last year's bill on the subject, proposes a constitutional amendment to allow the legislature to repeal regulations by legislative resolution. Resolutions are not required to have public hearing and cannot be vetoed by the governor. Passed House State Affairs 4/8, referred to House Judiciary

SB 121 and 122 Visitor Industry Stabilization Act and Tourism Tax

(Elton, D-Juneau) An alternative to the Millennium Plan, sets up independent tourism marketing organization with representation by tourism interests, communities, and public. Imposes bed and berth taxes to fund marketing efforts, with 25% of receipts going back to communities in which tax was collected. Hearing in Senate Labor and Commerce 4/15 1:30 pm. 203.

Track bills on the web at <http://www.legis.state.ak.us/basis21.HTM>