

2004_6)18_FBX_Governor, legislators make case for solving state fiscal gap

Article Published: Friday, June 18, 2004

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THE GOVERNOR AND legislators are discussing options for dealing with Alaska's fiscal gap, a question at the heart of the special session called for next week in Juneau.

Speaking to the Fairbanks Rotary Club in Fairbanks Thursday, Gov. Frank Murkowski made his case for why it's time do so something about the issue. High oil prices may not last, he said, and Alaskans want the problem resolved by the Legislature when it meets starting next Tuesday.

He said he is open to modifications in his plan by legislators. The governor has proposed constitutional amendments to change the way payouts from the Alaska Permanent Fund are calculated, guarantee dividends of at least \$1,000 for 10 years, provide funding for local governments and put a state spending cap in place. His proposals would require voter approval in November.

Murkowski repeated his assertion that he will not support the issuance of additional general obligation bonds, which have been proposed for transportation and university projects and may be debated during the session, without the adoption of a fiscal plan. He said a plan is necessary to avoid damaging the state's bond rating.

He said he doesn't agree with those who say that because this is an election year, nothing can be done.

"I can't think of anything I'd rather campaign on than successfully resolving this issue," he said.

He asked for a show of hands in the audience about those who thought it was time to do something. Good-naturedly motioning to Sen. Gary Wilken, he said that "99 and nine-tenths percent" agree that the Legislature should act and added, "Isn't that right Gary?"

I spoke to Wilken later and he said he agrees that the Legislature can make it clear where it will get the money from to pay for state government in the years ahead.

He said legislators should approve a resolution stating an intention to use some earnings of the permanent fund, along with an equal amount from the Constitutional Budget Reserve, to balance the budget.

He said a permanent fund earnings withdrawal is not necessary this year because of high oil prices, but it will be before too many more years have passed. He outlined a plan under which a \$550 million annual fiscal gap could be filled with \$275 million each from those two sources, leading to a reduction in

Permanent Fund Dividend checks of \$32 in five years and \$120 in 10.

The Legislature has the authority to spend earnings of the permanent fund with a majority vote, a power given to lawmakers when Alaskans amended the constitution to create the permanent fund in 1976. Wilken said he believes that legislators should use that authority when the time comes.

As the Legislature debates this issue and whether to put ballot questions forward and what they will contain, it must consider the likely outcome in November. A repeat of the 1999 rejection of an advisory vote on the use of permanent fund earnings will not move the state closer to a solution of the fiscal gap.

The political calculus is complicated because there are as many opinions about the exact combination of steps needed as there are legislators.