

2004_6_19_FBX_Wilken offers fiscal plan

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By TOM MORAN, Staff Writer

Sen. Gary Wilken doesn't want to go through 1999 again.

Wilken, R-Fairbanks, said he believes that Gov. Frank Murkowski's proposal to ask voters to tap a portion of the Alaska Permanent Fund to pay for state services is doomed to failure at the ballot box, just as a similar vote was five years ago.

"Nothing's changed," said Wilken, the co-chairman of the powerful Senate Finance Committee. "We've been there, we've done that, we're going to lose again."

With that belief in mind, Wilken spent Friday afternoon pitching his own plan to balance state budgets to a lunchtime crowd of Interior Republicans. Wilken's idea is to match money from the state's \$2 billion reserve fund each year with money from the earnings reserve of the Alaska Permanent Fund. It wouldn't require a popular vote, and he argued it would balance the budget until money from a natural gas pipeline or other resource development could theoretically pay Alaska' bills.

"You can't live on your savings forever, but it can get you across the bridge," he said.

Murkowski has said he wants to ask voters to approve a plan to turn the \$27.8 billion permanent fund into an endowment, then split the money accessed from it each year between education spending, aid to communities and dividends of at least \$1,000.

A similar proposal failed in the state Legislature this spring, but Murkowski has ordered legislators to consider the issue again in a special session that begins Tuesday.

But Wilken said he thinks voters would see such a measure as a raid on their dividends and vote it down. If that happens, he argued that legislators--still smarting from an overwhelming "no" vote in '99--will be cowed for years into not using the earnings of the fund to support state services.

"We will lose what I consider the crown jewel of a fiscal plan for the state of Alaska," he said.

By state law, the Legislature could use the fund earnings--at the moment, about \$4.8 billion of the total fund value--on state services with a simple majority vote. But legislators have been unwilling to make that politically unpopular move, and

have only used the money to pay dividends and to grow the fund. When the state runs deficits, the budget has instead been balanced through use of the \$2 billion Constitutional Budget Reserve, which is expected to run dry in a few years.

Under Wilken's proposal, the state would fill future deficits by matching equal amounts from the fund earnings and the CBR. He estimated that the annual state deficit will be about \$550 million a year over the next decade--a far smaller number than Murkowski's estimate--meaning the CBR would run dry in the first half of the 2010s.

Wilken estimated that with a \$550 million deficit, his plan would only reduce anticipated dividend payouts by about \$32 after five years and \$120 after 10, compared with a drop of hundreds of dollars under Murkowski's plan.

"If you vote for the governor's plan, you vote to give up \$730 10 years from now," he said.

The reason for the huge difference in dividend amounts between Wilken's and Murkowski's proposals is that Wilken would bolster state spending through the budget reserve. Murkowski, on the other hand, would solely use money from the fund to balance budgets, as he has said he wants at least \$1 billion left in the reserve for use in future years when swings in oil prices could produce large, unexpected deficits.

Wilken largely dismisses that concern. "I would suggest that's way too much," he said of the \$1 billion number.

Wilken's numbers are based on the assumption that the state will make enough off resources to balance the budget once the CBR runs out. If it doesn't, he said measures like an income tax, sales tax or higher corporate income taxes will be necessary. He said they will certainly be needed in the long term in any event. But he said its impossible to accurately predict the state's financial position a decade from now.

"You can't look today and look out 10 years and say, that's how it's going to be," he said.

Wilken first brought up his plan during a Senate floor session in May and said he plans to make a formal presentation of it to the Senate Finance Committee in the first day or two of the special session. He's not sure what kind of support he'll get for the idea, but he said he thinks that the "press of time" will make people give it stronger consideration.

Rep. Jim Holm, R-Fairbanks, said the idea has merit. And Senate President Gene Therriault, R-North Pole, said he thinks that Wilken's plan may be a little more politically viable than the currently untouchable proposition of using fund earnings alone to balance budgets.

"I think splitting (the earnings) with the CBR, lessening the use of earnings, it

certainly helps."