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Special session ends with no fiscal plan

Lawmakers approve \$1-per-pack increase in state tobacco tax

By TIMOTHY INKLEBARGER

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Smoke 'em while you can afford 'em.

The Legislature adjourned the three-day special session Thursday with little to show but a \$1-per-pack tobacco tax increase that will be phased in over the next four years.

The rest of the agenda, including use of the Alaska Permanent Fund for government services, transportation and school bond measures and reforming workers' compensation laws, was rejected.

Lawmakers spent much of the day in closed caucus meetings and consulting with Gov. Frank Murkowski to reach a consensus on his proposal to implement an endowment method for managing the permanent fund and using half of the earnings on government.

"We came here for a fat hog, and we're fighting over a little piece of meat," Rep. Nick Stepovich, R-Fairbanks, said during a cell phone conversation in a Capitol hallway after the House adjourned.

Murkowski also released a statement following the end of the session declaring disappointment in the Legislature.

"I proposed a plan guaranteeing Alaskans a dividend of at least \$1,000, ensuring a source of needed funds for our schools, providing a community dividend to help local governments and bringing modern management to our largest financial asset, the permanent fund," Murkowski said. "But the Legislature didn't give Alaskans the chance to vote on my plan, and they failed to come up with one of their own."

The tobacco tax almost died in the state House Thursday morning, but an objection from Democrats and a lobbying effort from some Republicans who supported the tax kept the bill alive into the evening. The original version of the tax bill would have immediately implemented the \$1 cigarette tax, but the House of Representatives amended the measure, adding the phase-in.

In January, the tax on a pack of cigarettes will increase by 60 cents. It will increase another 20 cents in 2007 and 2008. The proposal is projected to earn \$33.1 million annually once the full tax is in place.

Kattaryna Stiles, of the Alaska Native Health Board, applauded the tax bill despite the phase-in provision.

"It is a compromise, but it still is good, sound public health policy," she said. "Implementing this bill at 60 cents up front still has the impact of saving the lives of 2,500 kids who are alive today, so it's still a victory."

But opponents of the so-called sin tax said passing the bill was not enough to justify the \$25,000-a-day special session.

"Our only accomplishment as a consequence of three days is the passage of a single tax bill that will impact individuals who use tobacco products," Kott said. "For that reason and that reason alone I think it was unproductive."

Several lawmakers during and after the session said more of the agenda would have had a chance if Murkowski had spent more time communicating with lawmakers.

"I think if there had been more time to work on the issues ahead of time, it would have been more successful," said Senate President Gene Therriault, R-North Pole.

Sen. Minority Leader Johnny Ellis, who described the session as a "house of cards that fell apart," agreed: "It seemed like the governor had not done the homework that was necessary to make a change, especially in the Republican caucuses."