

2004_6_14_FBX_Governor should support Wilken

Article Published: Wednesday, July 14, 2004

Governor should support Wilken

Ever been in an argument with someone only to find out in the end you both really were saying the same thing? We probably all have at one time or another. You argue and argue, sometimes loudly, until one finally tires or you realize that you actually agree. The recent debate during the special session between Sen. Gary Wilken and Gov. Frank Murkowski over bridging the fiscal gap is really like that. Both want to get to the same place, and they may actually be saying the same thing.

My perspective is a little unique in this debate. When the concept of the Alaska Permanent Fund was proposed nearly 30 years ago, I was a staff member to Gov. Jay Hammond, who first proposed the fund. From the beginning, it was recognized that the earnings of the fund would someday be needed to bridge gaps to meet state revenue requirements.

Recently, I was a member of Frank Murkowski's campaign staff when he ran for governor. Gov. Murkowski developed a strategy to bridge budget shortfalls until his program to fund state government through additional revenue generated by aggressive resource development could secure Alaska's long-term financial future. He felt there would be no need for across-the-board taxes. He promised there would be strong dividend protection and that the principal of the fund would be inflation-proofed.

Gov. Murkowski could accomplish his priorities and keep these promises through implementation of a fiscal strategy similar to the one now articulated by Sen. Wilken. Since under Alaska's constitution the power to appropriate is given to the Legislature, the governor's position on existing funding sources seems rather immaterial. But he has given strong voice to the debate over recent months. He has lent his support to the Percent of Market Value approach, which spends dividend income to balance the state budget. He even called a special session to promote this plan.

In reality there was no need. There are funds currently available for appropriation now being deposited to the permanent fund principal. The Legislature has merely to act to spend these as needed on budget priorities.

To accomplish a balanced budget without sacrificing the people's dividend, negatively affecting the fund's principal or requiring a costly election, the Legislature needs merely to appropriate from the excess earnings already available after paying the dividend and inflation-proofing the principal. The effect on any dividend over future years would be negligible.

Over the past 10 years, the amount available over and above the amount necessary to fund the dividend and pay for inflation-proofing the principal has

annually totaled nearly \$200 million, as much as any reasonable income tax might generate.

There are good money-management practices that when applied may even grow this amount. To appropriate these funds requires no initiative by the governor and no new legislation to wind its way through the cumbersome legislative process.

The Legislature was right not to act on Gov. Murkowski's special session package. If it had, the voters would have overwhelmingly rejected his POMV plan, sending a poorly timed message that may for years have kept legislators from appropriating needed funding from presently available sources.

It is clear our elected officials can bridge the existing fiscal gap by spending from the excess earnings of the permanent fund as necessary each year to balance Alaska's budget--a strategy so articulately outlined by Sen. Wilken during the past special session.

During the summer, rather than debate, Sen. Wilken and Gov. Murkowski should work together to provide the leadership so badly needed to finally bridge this elusive gap. Sen. Wilken's approach is the right one.

Positive action next session could move energy from this divisive issue to the more important business of implementing Gov. Murkowski's main campaign promise to grow Alaska's economy. If he is successful, the excess earnings could then again be deposited to grow the fund's principal--not state government.

Bill Gordon was an executive assistant to former Gov. Jay Hammond and campaign manager for Gov. Frank Murkowski. He lives in Fairbanks.