



Senator Con Bunde's

2004 Legislative Report

Summer Edition - Web Version

*Serving
Alaskans
in
Eagle
River,
on the
Hillside,
along
Turnagain
Arm,
and in
Whittier*

Your Opinions Count!

From the results of this year's survey, I learned that the overwhelming majority of respondents support the Percent of Market Value Plan and the use of some of the earnings of the Permanent Fund (after dividends are paid) for some state government services. The state government services for which most respondents would use the earnings are transportation, education, and public safety.

Support POMV:

Yes: 76% No: 19% No Answer: 5%

Use Some Permanent Fund Earnings As Part of a Fiscal Plan:

Yes: 71% No: 21% No Answer: 7%

Ranking of state services you use on a regular basis and/or believe to be essential enough to deserve funding from the Permanent Fund's earnings:

State Roads, Airports, Ferries, Ports/Harbors	68%
K-12 Schools or University	62%
Troopers, Courts, Prisons	57%
Senior, Children, and Disability Services	49%
Air, Water, and Environmental Quality	42%
Nat'l. Guard, Homeland Security, Emergency and Veterans' Services	39%
Fishing, Hunting, Wildlife Issues	38%
Agriculture, Mining, Forestry, Oil & Gas, State Parks	33%
Services to Promote Business and Employment	20%

I take your opinions very seriously and read every survey, e-mail and letter. It's a great day when a constituent calls for a chat. So while the response to my session survey this year was 4%, half of the 8% in 2003, and much lower than previous years, I also received many phone calls, letters and e-mails from constituents expressing their opinions on these and other issues.

Perhaps you were one of the hundreds of constituents who communicated with me outside the survey process and gave me your suggestions for ways to solve the fiscal gap. Most suggested using a combination of options - using earnings of the Permanent Fund, some form of taxes, and budget restraint. In addition to the wide support for using excess earnings to help pay for essential state services, forty-three percent also expressed support for some type of tax or some combination of taxes. Only eight people contacted me who believe budget cuts alone should be used to solve the gap.

I hope that you will always feel free to contact me so that I can represent your views accurately in Juneau. If you haven't been in touch, please call or write to me so that I can represent your opinion in the Alaska State Legislature.

**I Believe
the
State Must**

**Provide
Essential
Services**

**Exercise
Fiscal
Discipline**

and

**Be Fully
Accountable
to
Alaskans**

The State of Alaska will spend \$2.3 billion in General Fund (state) money for fiscal year 2005.

That represents a 5.6% or \$17 million increase over FY 2004, and includes allowances for increased population, increased inflation, an increase of over \$100 million for K-12 and University education, and increases for public safety, roads, and public health. These increases were possible only with cuts in other areas of the budget.

What will the citizens of Alaska get for those billions?

The Legislature passed the largest-ever increase for K-12 education, adding \$82 million to Alaskan school districts.

The University of Alaska system received a \$15.8 million increase in order to provide meaningful further education to both high school graduates and adults.

Over \$22 million was appropriated to capitalize the new SeniorCare Program to ensure Alaskan seniors will have the ability to purchase their prescription medications.

Law enforcement capabilities were also appropriately increased with authorization to hire twenty new Troopers, seven prosecutors, three child-in-need-of-aid attorneys, six public defenders and four public advocates.

Other targeted increases were provided to maintaining and upgrading our transportation system, marketing Alaskan products and investing in continued resource development.

With all that additional spending, what was cut?

Across state government, personnel costs were cut 18.3% and travel by over 27%.

Contract costs were decreased by 12.8%, commodities (supplies, etc.) were cut by 33.7% and equipment costs were cut by over 51%.

The Department of Commerce and Economic Development's budget was cut by over 27%, Administration by over 6%, Fish & Game by over 3% and the Department of Revenue lost 3% of its budget.

The Legislature also cut its own budget -- almost 52% for committee expenses, 37% for Legislative Council and Subcommittees, and a trim to the Legislative Audit Division helped the Legislature's bottom line shrink despite moving the Office of Victim's Rights under our budget, and providing increases to the Ombudsman and the Select Committee on Ethics, for example.

Legislators' salaries remain the same -- less than \$25,000 per year plus per diem and moving expenses.

More Information

If you'd like detailed information about the FY 2005 budget, much is available in various levels of detail on the Legislative Finance Agency's website at www.legfin.state.ak.us.

If you have any questions about the information, please give me a call.

What Did the Legislature Do to Benefit You and Your Neighbors?

Without doubt, the first priority of the Second Session of the 23rd Alaska State Legislature was the passage of a fiscal package. Proposals for the Percent of Market Value (POMV) plan, using earnings of the Permanent Fund to help pay for essential state services, placing a reasonable cap on the growth of state spending, and instituting statewide revenue measures were thoroughly debated in the Senate Finance Committee, in other legislative committees, and on the Senate floor. Unfortunately, conflicting priorities between the House and Senate, between the Minority and Majority, legislators' different philosophies of state government's purpose, and the fact that this is an election year resulted in no package being passed.

Legislators voted "no" on the various fiscal plan bills for two reasons -- they voted according to their constituents' wishes, and oil prices were high. However, the details are a bit more complex. The Majority could have gotten the Minority to support a cap on the growth of state spending if we had exempted education funding from the cap, given them an additional \$20 million in the capital budget, and guaranteed PFD checks in the State Constitution. Those were prices I was unwilling to pay. Clearly, the Minority's demands would have created a hole in any meaningful spending cap, allowing or even encouraging unreasonable growth in government spending like that of the 1980's when oil revenues were plentiful. Given the state's fiscal crisis, spending an additional \$20 million for the capital budget was not responsible. Many of you have told me you oppose enshrining the PFD in the Constitution and I agree. A constitutional mandate to pay ourselves before paying for schools, public safety, and caring for the needy is unreasonable. Without a cap on the growth of state spending, there was not enough support for use of excess Permanent Fund earnings or POMV.

While crafting and debating various fiscal plan components, the operating budget, education funding, and the capital budget did take quite a bit of energy and time, the Legislature did accomplish quite a few other important tasks for Alaskans. Here are just a few of the bills passed this session that will help to protect and enhance the education, safety, and health of you and your neighbors:

- √ Fulfilled Alaskans' priorities while only increasing the state budget by \$17 million overall -- a clear sign that efficiencies were found in other areas in order to fund your priorities responsibly.
- √ Increased K-12 education by the largest-ever margin, adding \$82 million to Alaskan schools by raising per-student funding to \$4,576. The increased state share will also allow local districts to contribute more to their schools. This is a permanent increase built into the Foundation Formula, not a one-time fix. Alaska's top eleven major maintenance projects will also be completed with an appropriation of \$5.8 million.
- √ Bolstered the University of Alaska's efforts to train more nurses, teachers, better prepare our young people for good paying jobs, and do world-class research with an additional \$15.8 million.
- √ Leveraged the Capital Budget with just \$200 million in State money to get us an additional \$1.2 billion in federal funds for vital state infrastructure needs around the state. (*See Capital Budget article at www.legis.state.ak.us/bunde and click on Newsletters link for more details.*)
- √ Empowered small businesses, non-profits, small associations, and self-employed Alaskans to form associations to buy employee health insurance plans at lower cost.
- √ Ensured Alaskan children and crime victims are better protected with major changes in the child support system and victims' rights laws.
- √ Ensured that no elderly Alaskan will have to choose between necessary medication and other requirements like food and housing until federal Medicaid drug coverage takes full effect in 2006 through the SeniorCare prescription drug assistance program.
- √ Required judges to order restitution from criminals in all cases where a victim has suffered financial loss.
- √ Improved the organ and tissue donation system by making it possible for DMV to send donor information -- confidentially -- to Life Alaska Donor Services so that donors and recipients can be matched more efficiently.
- √ Extended the PFD application deadline for Alaskans in the military who are receiving hostile fire/imminent danger pay. These members of the military will now have an additional 90 days from the time they stop receiving that pay to file for the PFD. It's unreasonable to expect our Guard, Reserve, and active duty military neighbors to file for their PFD if they're dodging bullets and chasing Al Queda.

The State's Financial Situation

As you likely are aware, the state has been fighting a massive fiscal gap for over six years. We've had consistent gaps between revenue and General Fund expenditures despite cutting over \$1 billion from the budget since FY 1993. Per capita expenditures, in real constant dollars, have been cut from about \$6,000 to about \$4,000 per Alaskan.

Fortunately, we've had the Constitutional Budget Reserve – the state's savings account – to bail us out, but it won't last many more years. We must have a fiscal plan in place before then.

While high oil prices bailed us out of disaster this year, we cannot rely on that every year. Nor will cutting the budget alone balance our budget. The State of Alaska provides many of the services that counties and cities pay for in the Lower 48, and spends significant money for schools, roads, public safety, public health and a myriad of other services Alaskans believe are important. We need a reliable way to pay for those services.

I have heard from many of you in response to surveys, via e-mail, and through other forms of communication. The majority of Senate District P residents who have contacted me have asked that I continue to advocate for the following **Four-Step Plan**:

- 1) Continue work to develop our natural resources and attract new businesses to Alaska. The more economic development we have, the greater the corporate tax base.**
- 2) Place a constitutional cap on the growth of state spending to give the public confidence that the Legislature will use fiscal discipline when spending the public's money.**

Continued on page 5

We Are All Accountable for How Efficiently Our State Government Works

Alaskans have every right to expect their state government to provide a wide range of services in a fully accountable and efficient manner. How can Alaskans know whether the money the Legislature appropriates to state agencies is being spent wisely? The answer is "Missions & Measures" -- the tool state agencies and legislators use to set goals, measure accountability and efficiency, and target funding changes.

"Missions & Measures" helps legislators, state employees, and the public determine whether government agencies have spent money on services that produced results and that Alaskans need.

I urge you to review state government agencies'

"Missions & Measures" at www.gov.state.ak.us/omb/results, the "Missions & Measures" website. You will find an explanation of why each agency exists, its major responsibilities, the results they are expected to produce, how the agency will measure those results, and how we can determine if they are successful. Located at the bottom of each page is a questions and comments section. I hope you will offer your thoughts to both the Office of Management and Budget and to me.

Government's purpose is to provide essential services to people, in an efficient and responsible manner, that they are unable to provide for themselves. Your oversight is critical if state government is to be responsible, responsive, and efficient. The only way state agencies and legislators know for sure if you're being well served is if you tell us your thoughts -- please send in your comments.

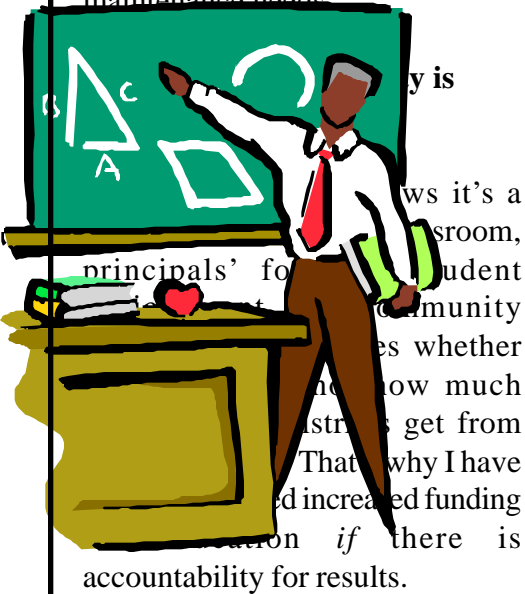


Senator Bunde gives close attention to a fiscal discussion during a Legislative Budget & Audit Committee meeting.

Accountability for Results Nets Schools More Money

As I mentioned in other articles, the Legislature approved the largest-ever increase for K-12 education — \$82 million. This is a permanent increase, as it raises the per-pupil funding within the Education Foundation Formula. It will also allow local governments to increase their contributions to their schools, which means even more money for the classroom.

In addition, significant capital funding will go to schools in Anchorage and around the state for such needs as new roofs, books, and computers. Anchorage School District schools will receive \$435,000 for books, computers, supplies, and other requirements. Over \$5.8 million will go to the top eleven rural schools for major maintenance needs.



The need for accountability is one of the reasons I introduced and continue to strongly support the requirement for all high school students to pass the High School Graduation Qualifying Exam (exit exam) in order to earn a diploma.

Increased School Funding and Continued Accountability Result in Success

My first priority for education this year, therefore, was to keep the HSGQE requirement intact. While a few legislators introduced bills that would have weakened the exam, I opposed these bills. None moved from their first committees of referral.

Congratulations to You All

I'd like to take this opportunity to congratulate the teachers, principals, students, parents, and partners of the Anchorage School District for their hard work and excellent results this year. Ninety-five percent of this year's seniors passed the High School Graduation Qualifying Exam — the result of hard work, serious thought, and a commitment to succeed by many people. Those seniors who did not pass the exam this year have been invited back to get additional help and earn their diploma. I hope each will take advantage of that opportunity.

There's More Work to Do to Continue our Success

I also hope that each district in the state will use this year's funding increase to hire more quality teachers, use data effectively to help each struggling child, and spend this money wisely for continued, real student success. I will continue to share information among districts, parents, students and the community so that all are more empowered to even greater success.

If you have any questions about the High School Graduation Qualifying Exam or funding targeted to assist Alaskan schools, please contact me.

Senate Labor & Commerce Committee

As chair of the Senate Labor & Commerce Committee, I worked on many bills important to business owners, employees, and the general public these last two years. The following were some of the most controversial and complicated bills the committee heard and moved. For a full list of all committee action, please go to www.akrepublicans.org/senInc.

SB 102, “Charitable Gaming Revenue/Taxes”

This bill would have raised the tax on pull-tabs to provide more money to charities and state enforcement. After many hearings and much public comment in Senate Labor & Commerce, a much-revised bill passed the Senate. However, it died in House Labor & Commerce Committee at the end of session. I expect this subject to come back before the Legislature next session.

HB 285, “Electronic Transactions and Signatures”

The fundamental purpose of this act is to remove perceived barriers to electronic commerce. This bill was signed by the Governor and will go into effect July 1.

HB 313, “State Procurement Pilot Program”

Authorized a pilot program for an e-commerce procurement and supply chain management program. This pilot program will provide the Alaska Legislature with valuable information with which to evaluate the future modernization of the state procurement code.

SB 368, “Tobacco Tax; Licensing Penalties”

As introduced, SB 368 would have doubled the tax on cigarettes and increased the tax on “other tobacco products” from 75 percent to 100 percent of the wholesale cost. With my strong support, this bill passed the Senate, but died in a procedural maneuver in the House just before midnight on the last night of the regular session. The bill was brought back up in the special session as SB 1001. Unfortunately, the House watered the bill down to the point that it will now do little to benefit either public

health or produce as much revenue.

For more detailed information about each of these bills, please give me a call or refer to the Bill Action and Status Inquiry System at www.legis.state.ak.us/basis.

State's Financial Situation, Continued from Page 3

- 3) Use of a portion of the earnings of the Permanent Fund for essential state services after PFDs are paid. This would create the widest possible public participation in state government spending, and**
- 4) If necessary, institute a state sales tax, so that the greatest number of both residents and non-residents would help pay for state services.**

What is the likelihood the Legislature will adopt a sound fiscal plan in the foreseeable future? There is not a lot of incentive among some legislators due to high oil prices and because many in the public are not expressing concern about the state’s fiscal gap. In addition, Alaskans, and hence their legislators, are deeply divided on whether new revenue is needed and from what source it should come.

However, I continue to advocate among the public that a fiscal plan should be passed. I continue to engage other legislators in discussions, both formally and informally, in an effort to increase consensus. And, as a member of the Senate Finance Committee, I will be working to develop a package of bills for next session.

Please continue to talk with your friends, neighbors, relatives, and co-workers about the state’s fiscal gap. And please continue to communicate your views to me.

Breaking News

Governor Murkowski's Budget Vetoes

The Governor vetoed \$5.2 million in General Fund appropriations, including \$4.3 million from the Operating Budget and \$950,000 from the Capital Budget. The Governor also vetoed \$39,100 in Federal Fund appropriations, and \$201,700 from Other State Funds (\$25,000 of which is from duplicated fund sources).

General Funds vetoed:

- \$193,000 from the Office of the Governor,
- \$1 million from the Alaska Marine Highway System from anticipated management savings,
- \$625,700 in reduced travel costs across departments and the University of Alaska,
- \$904,500 in anticipated savings due to better management of the statewide equipment fleet,
- \$471,200 from fiscal notes associated with several bills passed this session,
- \$774,500 resulting from the failure of union members to ratify the Public Safety Employees Association contract, and
- \$500,700 was from other operating expenses.

In vetoing some of the fiscal notes associated with recently passed legislation, the Governor has directed departments to accomplish the work necessary to implement new legislation within their existing budgets. He has also asked state departments to find additional management efficiencies within their individual budgets.

General information about the vetoes can be found at www.legfin.state.ak.us. Just click on the link for "Summary of Vetoes."

Details about the various vetoes to the Operating Budget and the Governor's reasons for them are detailed at www.gov.state.ak.us/omb/05_omb/Op_HB375_letter.pdf.

Details about the two vetoes to the Capital Budget can be found at http://www.gov.state.ak.us/omb/05_omb/Cap_SB283_letter.pdf.

If you have any questions, comments, or suggestions, please contact me.

Special Session Report

I'm sure many of you are disappointed that the special session did not produce a plan to effectively address the state's fiscal gap. I continue to be disappointed that opinions on the various solutions vary so widely among Alaskans and their elected representatives that no one has the votes to get any of the ideas passed.

However, hopes for a rational fiscal plan have not ended; legislators will continue to work toward a solution over the interim. As a member of both the Senate Finance Committee and the Legislative Budget & Audit Committee, I will continue to advocate for my four-step plan. I'm also considering Senator Wilken's viable option of using both the Constitutional Budget Reserve and the excess earnings of the Permanent Fund to help bridge the fiscal gap.

I want to thank those who contacted me before and during the special session to let me know your opinions on various fiscal issues. Residents of Senate District P provided 205 opinions on how to solve the fiscal gap, and I heard 25 opinions from non-constituents.

The Legislature also continued debating the Worker's Compensation bill, which was given two substantive hearings in the Senate Judiciary Committee. However, despite being heavily involved in negotiations with the administration in crafting the bill, organized labor decided to oppose it. It died in the House Labor and Commerce Committee, making further Senate action on the bill irrelevant.

The only bill that passed was the tobacco tax. I strongly supported the bill both in the regular and special sessions. However, the House Finance Committee watered SB 1001 down to the point that it will now do little to benefit either public health or produce as much revenue. I voted against concurring with the House changes when the amended bill came back to Senate. It did, however, pass and I expect the Governor will reluctantly sign it.

FY 2005 Capital Budget

The Capital Budget for fiscal year 2005 leverages \$200 million in state money to get an additional \$1.2 billion in federal money. Total Capital Budget spending in Senate District P will be **\$8,978,400**. Some of the projects that will benefit Senate District P residents include:



Schools:

• Abbott Loop Elementary School	Ice Rink Renovation, Books and Computers	20,000
• Abbott Loop Elementary School	Supplies and Equipment	20,000
• Bowman Elementary School	Directional Signage at Huffman & Gregory	3,000
• Goldenview Middle School	Culvert Replacement	40,000
• Huffman Elementary School	Intercom System Replacement	11,000
• Oceanview Elementary School	Supplies and Computers	7,200
• Oceanview Elementary School	Bicycle Rack Installation	5,000
• Rabbit Creek Elementary School	Rehabilitation and Painting	40,000
• Service High School	Science Supplies and Equipment	10,000
• Service High School	Supplies and Computers	7,200

Transportation:

(some projects funded with federal dollars and some through reappropriations):

• Whittier Ferry Terminal Improvements	2,500,000
• O'Malley Road Construction – Seward Hwy. To Hillside Drive	1,800,000
• Seward Highway Reconstruction – O'Malley Road to Brandon	3,800,000
• Private Sector Block Heater Incentive Program	500,000
• Chugiak, Birchwood, Eagle River - Rural Road Rehabilitation Work	115,000



Other:

(some projects funded with federal dollars and some through reappropriations):

• Hope - Land Acquisition, Development and Historic Preservation	25,000
• Anchorage Federation of Community Councils	25,000
• Eagle River Veterans' Memorial Museum Land Acquisition/Construction	50,000

If you would like further information about the Capital Budget, please give me a call or go to www.gov.state.ak.us/omb or www.legfin.state.ak.us and click on the links for the Capital Budget.