



Senator Con Bunde's 2003 Legislative Report

Summer Edition

Session Survey Results

Total Surveys Talled – 1174 10% Response Rate

Many of you took the time to fill in comments in addition to checking off choices for the questions below. These comments were of particular value to me, over and above the answers to these questions. It's very important that you inform me of your opinions. Thank you for your continued participation. The total percentage for some questions may not add up to 100% because 1) some people chose not to answer some questions and/or 2) some people selected more than one option and both were recorded.

- 1. Would you support a Constitutional amendment that would require a 2% cap on the growth of state spending with allowances for increases in inflation and population?**

52%	Yes
42%	No
7%	Did Not Answer
- 2. The fiscal gap is estimated to be \$500 million for Fiscal Year 2004. Which one of the following methods do you support to close the fiscal gap? (Please choose one of the following options.)**

22%	Reduce state spending only.
17%	Institute a cap on spending plus some form of broad-based taxes.
14%	Institute a cap on spending plus use of the earnings of the Permanent Fund.
12%	Institute some form of broad-based taxes only.
4%	Use the earnings of the Permanent Fund only.
29%	Use a combination of the above choices.
>1%	Did Not Answer
- 3. The question of amending the equal access portion of our Constitution to provide for a rural priority for subsistence has been with us for at least 30 years. (Please choose one of the following options.) (269 respondents chose more than one option and all were recorded.)**

37%	The Constitution should be amended to provide a rural preference for access to fish and game.
36%	The Constitution should not be amended to provide for a rural priority.
10%	The Constitution should be amended only after an appeal to the U.S. Supreme Court on the equal protection provision.
7%	The Constitution should be amended only after changes to the federal law, ANILCA, are enacted.
9%	Did Not Answer.
- 4. Legislation has been introduced to allow the City of Whittier to contract with the state to operate a private prison. Do you support or oppose allowing this option?**

58%	Support
32%	Oppose
10%	Did Not Answer
- 5. What is your number one priority for the Legislature to address this session? (10 respondents chose more than one option and all were recorded.)**

50%	Closing the fiscal gap
27%	Developing the economy
10%	Other (please specify)
9%	Improving schools
4%	Solving subsistence

Highlights of the State Budget

The Legislature has adjourned after another session. As many of you have contacted me regarding budget issues, I wanted to give you an overview of the 2004 budget.

Thirty-seven percent of the total budget is federal money. While sending it back to the federal government would impact services, it would have little, if any, impact on our state deficit. Thirty-four percent of the total state budget is state General Funds. These are the monies the state collects in taxes, fees, and royalties. Thirteen percent of the total state budget for fiscal year 2004 will pay the PFD and inflation proof the Permanent Fund, the largest single appropriation the Legislature makes each year. The remaining 16% of the budget is comprised of funds such as the Mental Health Trust Fund, dedicated funds like the School Fund, and statutorily restricted expenditures like the Disaster Relief Fund.

The Legislature cut nearly \$64 million from the budget this year. We also increased revenue by nearly \$70 million through various bills. For example, I sponsored SB 168, requiring all cigarette packs sold in Alaska to display a tax stamp, which should generate at least \$3.5 million in additional revenue annually (*See related article – “What Do These Diverse Bills Have in Common?”*). A studded tire tax, and increases in the vehicle registration and business license fees are other examples of increased revenue.

The Legislature also revised the supplemental budget process. During previous administrations, money was added to the budget for various departments through the supplemental budget. Beginning in July, only emergencies such as wildfires and unanticipated expenses such as increases to caseloads will be funded through the supplemental budget. It will no longer be the huge, off-budget expense it has been in previous years.

However, neither the Legislature's budget cuts nor the increased revenue were enough to meet the Governor's challenge to draw \$200 million less than fiscal year 2003 from the Constitutional Budget Reserve (CBR) to balance the budget. In order to meet that target, he found it necessary to veto \$138 million from the operating and capital budgets. These vetoes resulted in the need to draw only \$480 million from the CBR to balance next year's budget. The CBR is projected to contain \$1.8 billion in fiscal year 2004, reserves that are expected to last 3-4 years, an estimate based on current spending levels with no allowance for increases in population or inflation.

Some of the Governor's vetoes, such as those to Municipal Revenue Sharing, Safe Communities Grants, and Municipal Matching Grant Funds, will force communities around the state to prioritize services and seek other sources of revenue. These are hard cuts to absorb, but in this time of financial crisis the state cannot continue to provide the same level of aid to communities. A careful review of the 2004 budget shows an equitable effort to streamline government services, require efficiency on a statewide level, and a dedication to fund core government services.

The veto of the Longevity Bonus and Municipal Revenue Sharing will be offset *for one year* by the allocation of federal money. Under the "State Fiscal Relief Program" included in the federal tax cut bill, the State of Alaska will receive \$25 million dollars. Governor Murkowski has directed \$15 million to be used to offset the loss of Municipal Revenue Sharing. Anchorage will receive \$3.89 million.

The remaining \$10 million will pay for a needs-based Longevity Bonus program. Governor Murkowski initiated this *one-year* program in an attempt to alleviate some of the financial hardship experienced by some of our state's seniors. The program will allocate \$120 every month from September 2003 to June 2004 to *all* seniors who meet certain economic eligibility criteria. The Governor has also pledged to help seniors access the various safety net programs available to them. I encourage all seniors to contact the Department of Health and Social Services as well as my office for more information.

As many of you know, the cause of Alaska's budget challenge is simple: oil production is down. Until we can generate additional revenue streams, we must continue to be frugal. I continue to support responsible cuts and increased efficiency, but I know that those methods by themselves will not solve our problems. To fill this gap, I will continue to advocate for a cap on the growth of state spending as a first step, and then use of some of the Earnings of the Permanent Fund. If that is insufficient to balance the budget, then I would support a statewide sales tax.

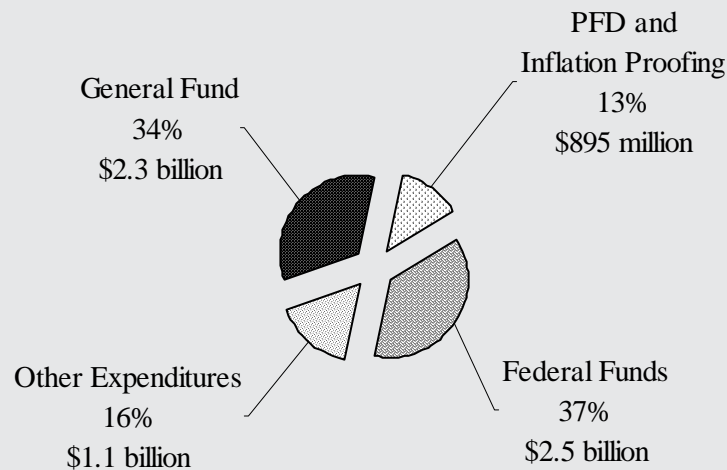
While each of us has ideas about how to solve the state's fiscal challenge — use of the Earnings Reserve, sales tax, income tax, etc., Alaskans as a whole have not yet reached a consensus. As a result, legislators have represented that lack of consensus and so no broad based revenue plan has passed. I strongly encourage you to discuss revenue-generating measures with your family, friends, co-workers, and neighbors and work to build a consensus.

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If you would like to have a more detailed look at the state budget passed by the Legislature, go to the Legislative Finance website at <http://www.legfin.state.ak.us/>. Information about bills considered by the Legislature can be found on the Bill Action and Status Inquiry System (BASIS) at <http://www.legis.state.ak.us/basis/start.asp>. Information about the Governor's vetoes is available on the Office of Management and Budget's website at <http://www.gov.state.ak.us/omb/akomb.htm>.

If you need additional information or would like to discuss the state budget, please contact me at 269-0181 or 1-800-892-4843. Or, just e-mail me at Senator.Con.Bunde@legis.state.ak.us.

**State Budget
Fiscal Year 2004
(July 1, 2003 - June 30, 2004)**



Definitions of Funds:

General Fund: include general fund match, general fund program receipts, "pure" general fund expenditures, and several expenditure codes that are separated for tracking purposes. "Tracking codes" include general fund mental health and tobacco settlement receipts.

Permanent Fund expenditures include inflation proofing deposits into the Fund, dividends and administrative costs. They also include special deposits to the Fund as appropriated by the legislature.

Federal Funds: include all federal funds received and spent by the State. Federal funds typically can be used only for the specific purposes for which they are received.

Other: Includes **Dedicated Expenditures** such as the School Fund (cigarette tax), Public School Fund, Second Injury Fund, Fisherman's Fund and the Fish and Game Fund; **Trusts** such as the Alaska Advance College Tuition Savings Fund, the Mental Health Trust, the Exxon Valdez Oil Spill Restoration Fund, and public employee retirement systems; and **Statutorily Restricted** expenditures such as several State loan and enterprise funds; the Marine Highway Fund, and receipts of several State corporations and the disaster relief fund.

Education Continues to be Top Funding Priority

Balancing the needs of our students with the fiscal gap was a challenge again this year.

The state will spend \$743 million on education next year, \$729 million of which will be distributed directly to schools. With federal funding and other state funds like debt reimbursement, Alaska's 53 school districts will receive over \$830 million next year. That does not include local taxpayer support or other funding they may receive. The second largest state expenditure after the PFD and inflation proofing the Permanent Fund, estimated at \$895 million, makes K-12 education a sizable expense.

The Legislature and the Governor are committed to making sure Alaska's students and teachers have the funding necessary for them to learn and teach effectively. Therefore, the state Base Student Allocation (BSA) of the Foundation Formula was increased from \$4,010 to \$4,169. This means that all school districts will receive \$159 more per student from the state next school year. Much of this increase came from moving Learning Opportunity Grants, a program that was up for renewal each year, into the Foundation Formula, providing more reliable funding to districts from year to year.

However, the fiscal gap did require us to re-think other sources of money that have gone to schools in the past. Greater efficiency and fiscal restraint on the part of school districts will be required. The following is how those changes will likely impact Anchorage School District:

- ✓ The state's contribution to the statewide Community Schools program was cut, although a \$2 to \$3 per class increase in tuition can fill the gap left by this cut in state funding. ASD's share of the cut will be \$152,000. However, statutory authority for districts to support the program still exists and the school board has funded the program for next year.
- ✓ The Pupil Transportation program was changed from a direct reimbursement to a grant program that will encourage efficiency. This change was made because the state can no longer afford to write a blank check for the ever-increasing cost of bus service. Anchorage School District estimates that they would lose, based on projected enrollment, \$632,000 from this change. However, ASD has already begun to find efficiencies in their program, with a total savings to date of \$974,500.
- ✓ The State Tuition Program was cut. This program,

which was not mandated by law, was originally designed to compensate school districts for educating "wards of the state." Now, school districts receive Foundation Formula funds for those children in foster care and Youth in Detention Grants for students in detention. So, continuing to fund the State Tuition Program would be paying districts twice for the same student. Anchorage will lose approximately \$650,000 from the cut of these extra funds.

- ✓ Legislation closed the loophole that allowed some districts to count 3 and 4 year olds as school age students for K-12 funding purposes. Anchorage will lose approximately \$ 68,684.
- ✓ The Alyeska Central School, the state-run correspondence program, will no longer provide summer school. It will close after next school year, giving a school district or private entity the opportunity to take over this program. Anchorage will lose no funding with this change.

I remain committed to ensuring that Alaska's schools have the tools they need to education our children. The state will continue to do its part by providing sound policy, technical assistance, and appropriate funding. I also remain equally committed to ensuring that those same schools are held accountable for the funding they receive. Alaska's schools have the responsibility to educate every child to his or her highest potential. Our children deserve it, and their success will lead to our state's economic growth and a better quality of life for us all.



Senator Con Bunde presents a Legislative Citation to State Board of Education member Shirley Holloway, in recognition of her years of service to education in Alaska. They are joined by Senator Gretchen Guess of Anchorage and Senator Gary Wilken of Fairbanks.

What Do These Diverse Bills Have in Common?

What do boats, airplanes, ANWR, ethanol, the military, and increased state revenue have in common? They are all subjects of legislation I introduced or shaped this past session.

SB 98 is my “Good Neighbor Bill.” It clarifies the responsibilities of private airplane and boat owners and their guest passengers when injuries are caused by the inherent risk of the activity. While SB 98 does not absolve Alaskans from their responsibility to operate and maintain their equipment safely and prudently, it does protect them from frivolous lawsuits. SB 98 goes into effect on July 1. To see how SB 98 could apply to you, as an owner or as a guest, go to <http://www.legis.state.ak.us/pdf/23/Bills/SB0098C.PDF>

Back in March, U.S. Senator Barbara Boxer (D-CA) introduced an amendment to the U.S. Senate’s budget plan to remove anticipated oil revenue from ANWR. Senator Boxer said during the debate, “...the people in this country who support keeping this 5% of the North Slope in its pristine environment are doing so because we think it’s good for the soul of this country, and we believe there are more jobs to be created through other means.” Fifty-one other senators voted for that amendment, many of whom represent states that profit greatly from the federal ethanol subsidy at a cost of billions of dollars to U.S. taxpayers. Those senators support industrial development in their states, to the detriment of their own wild lands and wildlife yet support keeping ANWR closed. I introduced SJR 16 to send a message that what is good for the goose should be good for the gander. SJR 16 asks Congress to end the federal ethanol subsidy and to mandate that land used to grow corn for the production of ethanol be returned to its natural, wild state. <http://www.legis.state.ak.us/pdf/23/Bills/SJR016A.PDF>



Senator Con Bunde presents a copy of SJR 16, “End Federal Ethanol Subsidy” to U.S. Senator Lisa Murkowski after her presentation to a joint session of the Legislature.

On a more serious note, I also sponsored SJR 9, a resolution in support of our National Guard and active military troops, their families, and the employers of Guard members. SJR 9 recognizes the commitment these magnificent individuals give to their country, expresses gratitude for their sacrifices and those of their families and civilian employers, and expresses the hope that all members of the Guard and active duty military return safely to their families. <http://www.legis.state.ak.us/pdf/23/Bills/SJR008B.PDF>

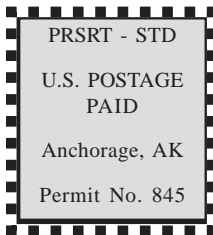
As chair of the Senate Labor and Commerce Committee, I sponsored SB 168. An unknown quantity of untaxed cigarettes are imported into the State of Alaska every year and existing law was not sufficient to track them and collect the taxes due. For this reason, SB 168 requires that a tax stamp be affixed on each pack of cigarettes on which the tax has been paid. This will allow the Department of Revenue to more adequately and fairly regulate the collection of taxes on cigarettes. A good number of people have also avoided paying the tax by buying their cigarettes over the Internet. SB 168 imposes no new tax; it only assists in the collection of taxes due. Alaska will see approximately \$3.5 million in new revenue per year. SB 168 takes effect January 1, 2004. <http://www.legis.state.ak.us/pdf/23/Bills/SB0168E.PDF>

The Labor and Commerce Committee also spent much time refining three of the bills introduced by the Governor:

- ✓ SB 102, Charitable Gaming Revenue/Taxes, was the subject of much debate and public comment. The Senate passed its amended version and the bill is now waiting for further hearings over the interim.
- ✓ SB 106, Fee for Tires, was passed by the Legislature and is in the process of being sent to the Governor for his signature. It will go into effect October 1.
- ✓ HB 155, Public Construction Project Requirements, was signed into law on June 16th and will take effect on July 1st.

If you have any questions or comments about the legislation I’ve described in this article, or about any other legislation the Legislature considered this session, please contact me. I’ll be happy to talk with you.

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*Please contact me at any time.
It is important that I hear from you!*

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Legislative Update

Many of your neighbors in Senate District P, from Whittier to Eagle River and even overseas, receive my Legislative Update e-mails in order to get immediate information about what's happening in the Legislature and around our district. Legislative Update has proven to be an excellent way for me to get breaking news about legislative and local activities to my constituents, and for them to let me know how they feel about the issues that concern them.

If you would like to receive Legislative Update e-mails too, just contact me and I'll be happy to sign you up.

Copies of my Legislative Updates from this session and years past are available on my website at <http://www.akrepublicans.org/bunde/>. Just click on District Information. My Privacy Policy is as follows:

All e-mail addresses are kept "blind" for your privacy. A strict "no spam" policy is observed. If you don't wish to receive "Legislative Updates", just let me know. Your replies, comments, questions, and/or suggestions are welcome. Constituent comments on legislation and policy issues may be tabulated, shared with other legislators, or quoted in speeches. Names, however, however, will be kept private.