

Alaska State Legislature



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CONTACT: Rep. Fred Dyson, (907) 465-2199

Budget-Cutting Caucus: Too Early for Tax Talk **“Crouching Grouches” Growl at Taxes Without Budget Cuts**

By Rep. Fred Dyson
Chairman, Crouching Grouches Caucus

It appears that the Fiscal Policy Caucus is starting to understand that budget reductions are essential complements to its proposals to close the state’s budget gap by raising revenues. We have a great deal of respect for most of the folks in the FPC and we appreciate the courage and diligence that they have shown. Nonetheless, they appear to see a somewhat different road to a solution than we do.

The FPC realizes that most Alaskans do not understand the magnitude of our fiscal problems, but the FPC does not fully understand that most of the public will not support them until they see significant cuts in government programs, and that Alaskans will not support taxes or the use of the Permanent Fund earnings without cuts in government spending that hurt.

We know that we cannot cut \$900 million in General Funds from the state budget, but we must make significant cuts before we hope to win public support for any new revenues. Members of the Crouching Grouches Caucus have previously suggested many of the following steps to reduce the cost of government:

- Lowering public assistance and Medicaid qualifying standards, possibly dropping them from 200 percent to 150 percent of the federal poverty level;
- Cutting legislative expenses, possibly by shortening sessions, or cutting our own pitiful salaries and office expense accounts;
- Cutting 25 percent from the salaries of appointed state workers paid more than \$60,000 per year;
- Prioritizing all non-essential government functions and beginning to cut back or eliminate services such as public broadcasting, parks and recreation, libraries, museums, municipal assistance and revenue sharing, educational support for extracurricular activities, coastal zone management, winterization subsidies, etc.
- Limiting travel budgets in favor of increased use of teleconferencing and video conferencing.

Although many of our caucus members personally enjoy and support many of these functions, Alaskans are apparently not willing to pay for all of them at this time, and we should not go into debt to continue providing these services at their present levels.

(MORE)

Crouching Grouches

Jan. 28

Page 2

When Alberta, with an oil-driven economy like Alaska's, was faced with similar budget problems, the province's leaders responded by making significant cuts in government services, starting with a 20 percent across-the-board cut in education spending. As Alaskans dither, British Columbia is currently making 25 percent cuts in every department. Though a previous B.C. administration spent the province into near-bankruptcy, a new, conservative administration is binding its wounds and getting its fiscal house in order. British Petroleum just cut executive perks by 25 percent, after significant layoffs. Alyeska Pipeline Service Co. is likewise cutting staff and expenses. What is the Legislature going to do to show the public that there really is a serious crisis?

The FPC has apparently not given any consideration to former Gov. Jay Hammond's brilliant suggestion to set up a tripwire triggering taxes and budget cuts when our fiscal problem reaches some predetermined level. Hammond suggested using the balance of the Constitutional Budget Reserve as the tripwire mechanism; my wife suggested using the level of state income from natural resource extraction. Such a policy would soon convert beneficiaries of every state program into enthusiastic champions of building a natural gas pipeline or opening ANWR for development.

In addition, the FPC makes no provision for revoking taxes or restoring budget cuts if state natural resource revenue should increase significantly. We must protect Alaskans from taxes that go only up! One-way valves or check valves are great in well pumps and bilge pumps, but they have no place in tax policy.

One of the brightest of our former finance chairs suggested indexing budget cuts and taxes to resource income in an elegant way that would adjust automatically the vagaries of state finances. This certainly works for us in the Crouching Grouches Caucus.

If the Knowles administration and/or the Fiscal Policy Caucus succeed in implementing income taxes, then our caucus would suggest we work to implement tax deductions or credits for people investing their own money in alternatives to government programs, such as credits for tuition, retirement plans, private health insurance, foster care, care for handicapped people or care for senior citizens.

We do not in any way wish to be disrespectful of the Fiscal Policy Caucus and its work. We propose to work closely with its members to use the legislative process to move our fiscal agenda in a way that provides us all as much comfort as possible, and that will work for all Alaskans. We should never blind-side that Caucus or take cheap shots at its ideas. If we are not more successful in convincing them to use our ideas, at least in part, then we in the Crouching Grouches Caucus will try to move our amendments at appropriate times.

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