

# ALASKA STATE LEGISLATURE

## News from the Senate and House Majorities

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## **Governor's Budget Called 'Irresponsible'** **Meeting State Deficits with Spending Hikes Defies Fiscal Sense**

(ANCHORAGE) – Legislative leaders reacted with skepticism today to Gov. Tony Knowles' call to add more than \$200 million to the state budget and withdraw \$1.2 billion from state savings accounts next year, saying that matching budget shortfalls with increased spending is an irresponsible reaction to Alaska's fiscal situation.

“When Alaska faces deficits of \$900 million this year and almost \$1.2 billion the year after, it just doesn't make sense for the governor to respond by adding \$200 million more in state spending,” said House Speaker Brian Porter (R-Anchorage). “How can we expect Alaskans to understand the reality of the fiscal gap if the governor keeps promising new spending to every constituency group he meets?”

“It's somewhat ingenious for the governor to keep talking about a fiscal gap, while also proposing new initiatives that add to that gap,” said Senate President Rick Halford (R-Chugiak). “It is not surprising, however, to see him spend his last year in office promising more money, to more people, for more government, while promising Alaskans nothing in the way of more efficiency or accountability.”

Knowles released a budget proposal today calling for adding more than \$200 million in state spending, raising the state general fund budget to \$2.6 billion for fiscal year 2002, starting June 30, 2002. He also wants to add nearly \$100 million for anti-terrorism efforts, and plans to ask for additional millions in supplemental spending in the coming months.

Last week, the Department of Revenue forecasted that the state of Alaska would need to withdraw \$906 million from its Constitutional Budget Reserve (CBR) by June 30, and \$1.1 billion in fiscal year 2003, to pay for government. But with North Slope oil now below \$16 per barrel - lower than forecast - Knowles' budget really means withdrawals of almost \$1 billion from the \$2.7 billion CBR this year, and more than \$1.2 billion in fiscal year 2003, legislators said.

“When there's less money in the budget, prudent States make the effort to reduce government,” Halford said. “In Alaska, the Legislature had to fight the governor for five years to cut the budget by \$250 million, and now he wants to add all that savings back and more in a single year.”

Sen. Dave Donley, co-chair of the Senate Finance Committee, said the governor has stonewalled legislative efforts to work cooperatively to address the budget shortfall by identifying budget savings.

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“State commissioners have ignored my requests to use their detailed knowledge of their departments to assist the Legislature in reducing state spending,” said Donley. “In a meeting this morning the governor’s representatives admitted the governor has not even asked his commissioners to seek spending reductions. Such a lack of cooperation with the Legislature represents a failure of executive leadership. I’m calling on the governor to instruct each department to prepare a contingency plan to reduce their level of spending.”

While it is difficult to take the governor’s repeated calls for new spending seriously, Porter said, the Legislature will continue meeting its responsibility to fund Alaska’s priorities, including education, transportation, public safety and other essential services. He also noted that the Legislature has for the past year been preparing a plan to address statewide school construction needs with a package of general obligation bonds, but in a more realistic and achievable program than the governor has proposed.

“The Legislature will continue using missions and measures to invest state resources wisely in the programs we know deliver results to Alaskans,” said Porter. “We will also be considering prudent limits to growth in state spending, and stand ready for debate and possible action on any other realistic proposals legislators may bring forward to meet the state’s financial challenges.”

Legislative work on the budget will resume when the second session of the Twenty-Second Legislature convenes in Juneau on Jan. 14, 2002.

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