

# ALASKA STATE LEGISLATURE

## House Majority News

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FOR IMMEDIATE RELEASE: March 19, 2002

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## **House Budget Meets State Fiscal Challenge** **Holds the Line, Lays Foundation for Long-Range Fiscal Plan**

(JUNEAU) – The House of Representatives passed an operating budget Monday that holds the line on growth in government spending, and allows the Legislature to consider new revenue as the next step in a plan to bring long-range stability to Alaska’s finances, legislative leaders said.

[House Bills 404](#) and [403](#) appropriate \$2.252 billion in general fund spending for the fiscal year starting June 30, 2002. The budget is only a few hundred dollars less than last year’s spending plan, but is more than \$157 million less than the governor’s proposed operating budget.

“We started this session with a commitment to holding the line on state spending, and a need to help Alaskans understand that while the opportunity for state services may be limitless, state revenues are not,” said Speaker of the House Brian Porter. “Now that public discussion and passage of this budget has achieved that understanding, it is time to fulfill our next commitment, to address the revenue side of the state’s ledger.”

The House operating budget invests in the state’s future by prioritizing education, fully funding both instruction and transportation costs for K-12 schools, and increasing the level of appropriations for the University of Alaska, said House Finance Committee Co-Chair Eldon Mulder. It directs scarce state resources at less-fortunate Alaskans by increasing Health and Social Services spending by \$18.7 million. It also provides additional funds for the Department of Military and Veterans Affairs, which is responsible for homeland security.

“In the face of a deficit of somewhere around \$1 billion dollars, we have taken the important first step in developing a fiscal plan, which is curbing the growth of state government,” Mulder said. “This budget provides a level of funding that maintains critical state services, while making reductions in areas the state can live with.”

A fiscal plan must be more than tax increases, Mulder said. It must also include efforts to control expenses, exercise fiscal discipline, limit spending growth and seek out new income from state resources.

The budget does ask state departments to absorb increasing costs, such as growth in formula-driven programs, some federal mandates, and a third year of raises for state employees, Mulder said. But it also provides flexibility to help departments best accommodate those reduction.

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“We’ve provided the amount of money we think is necessary to fund essential state services,” Mulder said. “We’ve also given the executive branch the tools to manage these funds in a more flexible way, so they can use any savings they achieve in one area to pay for their priorities in other areas. It’s time for the administration to demonstrate accountability to the Legislature and the citizens for what they spend, before the state should consider providing more money to spend.”

A central element of this new flexibility is a budget feature known as “bifurcation,” Mulder said. Under bifurcation, most of the state’s operating budget (excluding education and other formula-driven programs, the Alaska Railroad Corp, the Alaska Housing Finance Corp., the Alaska Industrial Development and Export Authority, the court system and the Legislature) is split in half and allocated specifically for use in the first or second half of the fiscal year. However, 10 percent of those divided funds are also divided into half-year portions, and are presented to departments as unallocated funds, which agency managers may either spend at their discretion, or save for use no later than the end of the second half-year.

Bifurcation offers government agency heads the chance to take responsibility for allocating resources to the highest-priority functions, and also provides an incentive for departments to reap the direct benefit of any savings or efficiencies they might accomplish based on their intimate knowledge of their programs, Mulder said.

With passage of an operating budget, Porter said, the House Finance Committee will immediately begin to consider revenue measures, which are likely to include a broad-based statewide tax, a community dividend program to replace and improve on municipal revenue sharing, and possibly other use of Permanent Fund Earnings, though not of the principle of the fund. Alcohol or motor fuel taxes could be part of the mix as well.

“Our goal next week is to bring a balanced set of revenue options to the floor of the House,” Porter said.

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**Note:** A spreadsheet breaking down the budget information by department is attached.

**Broadcasters note:** Comments are available on the Majority Actuality Line 1-800-478-6540, or on the Majority webpage at [www.akrepublicans.org](http://www.akrepublicans.org)