

[The State's Operating Budget: Critical Crossroads, Choices, and Opportunities](#)

Two Year Update-What's Changed?

The focus of Commonwealth North's 2015 report was on the operating budget, within the

context of the dramatic drop in state revenue. The revenue decline has continued and the

need to reduce recurring expenditures in the state's operating budget has not lessened. The

one constant is that one-time savings have been relied on to prop up recurring spending, albeit

at a somewhat

reduced level.

[Check out the full report here.](#)

[How much might closing the state budget gap cost Alaska families](#)

Alaska's state government has a huge hole in its budget, created by plummeting oil revenues. The state has cut spending for the past several years, but in fiscal year 2017 a \$3

billion gap remains between what it spends and what it collects. Closing that gap will require new revenues and more budget cuts – but different ways of balancing the budget would have different effects on Alaska families.

[Read the report.](#)

[How will Alaskans talk climate change with the Trump administration?](#)

Author: [Yereth Rosen](#) | [Alaska Dispatch News](#) | February 27th, 2017

How do state officials and indigenous leaders in Alaska, where the climate is warming faster than almost any other place in the world, pursue their work in a world where the new president has dismissed climate change as a hoax and has appointed like-minded people to key environmental posts?

Very carefully, it turns out.

That may start with wording. Take the description used for a glacier-shaped bar of soap, a door prize at an environmental conference this month in Anchorage.

“It symbolizes climate change, or what are we calling it now? ‘Ecological transition,’” Kurt Eilo, executive director of the [Alaska Forum on the Environment](#), said when he gave the soap to one of the conference attendees.

Climate change is an important enough priority for the state of Alaska to have been invoked by Gov. Bill Walker in

his [state of the state address](#): “Alaska is the only Arctic state in the nation – and we are ground zero for climate impacts,” he said in his address, delivered a month ago.

Discussing the issue with the Trump administration might require a diplomatic approach, said Larry Hartig, commissioner of the Alaska Department of Environmental Conservation.

“You would try to tailor it in a way that you would find common ground,” he said when asked how he would approach the subject with the new administration. “I wouldn’t speculate a lot on what caused it,” he said. “I would focus on: What are we going to do for the communities?”

[\[Eklutna Glacier, a source of Anchorage drinking water, is disappearing drip by drip\]](#)

The same goes for non-fossil-fuel forms of energy, Hartig said.

“There’s a lot of no-regret type of opportunities when it comes to renewable energy. We don’t want to lose that momentum on that,” he said.

Renewable energy development has bipartisan support in Alaska, as costs of diesel fuel and other fossil fuels are especially burdensome in remote parts of the state.

On the international level, Hartig said, he would counsel the Trump administration against pulling out of the Paris climate agreement, which the president has vowed to do.

“We have to recognize that as much as one administration may want to change things in a different direction than the other administration was going, there’s the rest of the world out there,” he said. If the United States becomes “too much of an outlier” concerning climate change and renewable energy, results could be costly, he said, and that is the message he would try to convey if given an opportunity. “You’re being replaced as a world power; you’re being replaced as an

economic power,” he said.

Jim Stotts, president of the [Inuit Circumpolar Council of Alaska](#), is anticipating the need for a tougher approach.

He and his colleagues are concerned about the new person or people who will lead Arctic policy at the Arctic Council and State Department level.

“If it was somebody that was very much a climate-change denier, clearly we would go on the offense and make the case that, yes, there is climate change, and yes, it does affect the Arctic more than any place in the world,” Stotts said.

So far, though, the Trump administration has not taken any specific steps that would warrant a response from the Inuit Circumpolar Council, Stotts said.

“We haven’t reacted to anything because we haven’t had anything to react to yet,” he said. “I think until something happens, we’re just proceeding as things are normal. We realize they probably won’t be.”

President Donald Trump’s choice to head the Environmental Protection Agency, Scott Pruitt, fought the agency when he was Oklahoma attorney general, and environmental group leaders say he has questioned the overwhelming scientific evidence of climate change.

State Rep. Andy Josephson, an Anchorage Democrat, is arguing that the state should take climate action without federal support, if necessary.

He plans to introduce a bill that would revive the state [climate-change advisory panel](#) created by Gov. Sarah Palin in 2007 but deactivated under her successor, Sean Parnell – with some new twists, chiefly a mechanism to collect money for climate-mitigation work within Alaska. The bill in the works is an update of [legislation](#) Josephson introduced last year; that bill did not move out of committee.

Josephson said he is not optimistic about convincing the Trump administration to take Alaska climate change seriously. “I don’t know of any way” to do that, he said. Instead, he said, the state should take the initiative on the subject, study the work done by the previous climate commission and build on it.

“We don’t need to sit around and the issue is not going to sit around. We can’t afford to wait,” he said. “It’s about us right now and what we can do aside from the federal government and federal intervention.”

One notable Trump administration move was [the decision to slash from 34 to 17](#) the number of EPA officials authorized to attend the recent Alaska Forum on the Environment – an annual gathering in Anchorage that attracts hundreds of participants from across the state. Issues discussed at the forum included climate change impacts in Alaska, security of wild foods needed by rural residents, water quality, marine debris and community waste management.

[Read the full article here.](#)

[Barroom budget talk a precursor to looming battle in Capitol](#)

Check out KTUU’s coverage of one of many events held by Alaska Common Ground in Juneau recently to inform the public about fiscal issues. [KTUU, February 1st.](#)

[2017 Senate Poll results](#)

[You can find the Senate poll results here.](#) Over 7,000 Alaskans shared their thoughts and opinions on issues facing Alaska.

[Economists say recession will last three more years, followed by a smaller, poorer Alaska](#)

[Charles Wohlforth: Opinion, Alaska Dispatch News, 1/20/17](#)

A leading Alaska economics firm predicts our recession will continue for three more years and foresees no real recovery, just decline and then a future with a smaller economy.

Jonathan King, vice president of Northern Economics, said he feels like he is riding a down-bound train, able to see hard times for his business a year ahead but unable to do anything about it. We visited to look down the track together and think about what is coming for his and others' families.

King presented Wednesday to the Senate Labor and Commerce Committee after Mouhcine Guettabi, of the Institute of Social and Economic Research of the University of Alaska Anchorage. The economists' teams worked independently, using different computer models, but they came to strikingly similar conclusions.

“This is our great recession. By the time this is over, we expect to lose 6 percent of our jobs,” King told the committee.

A recession is unfolding of similar severity to what the nation endured after the 2008 financial crisis, but with a critical difference, King said. The U.S. economy recovered. He expects Alaska’s economy to shrink long term to a smaller base.

The projections show job losses bottoming out in 2018 to 2020, but no bounce-back through 2026. Population predictions are uncertain because they contain more unknowns than job numbers, but Northern Economics projects decline continuing for at least a decade, with net loss of more than 30,000 residents.

Alaska’s gross state product, the total value of all the goods and services we produce, has declined for five years and is down 22 percent due to lower oil prices and production. With that much money subtracted from the economy, it has to shrink, with slower business, fewer jobs and a smaller population.

[\[Job losses predicted in new study would rival Alaska’s worst ever\]](#)

“What society looks like changes,” King said. “Mouhcine and I both said that the people who are most likely to leave are young, educated and have a lot of opportunity. The people who remain are people who have family ties, who have cultural ties, or who want the lifestyle and there’s nowhere else they want to go.”

King, at 43, falls in both groups. His business has 14 employees, down two in the last year. His wife, Elizabeth, has a good job and they own a house. They are happy with their children’s public schools.

When the couple came to Alaska in 2003 they passed up opportunities to make more money in the corporate world,

because they wanted the quality of life here. But if budget cuts ruin the schools and threaten public safety, the balance could switch for families like the Kings.

A flat economy offers few opportunities to attract productive people. Bad schools and unsafe streets drive them away.

Added to that, drastic budget cuts like those being discussed in the Alaska Senate would worsen the recession by another 20 percent, according to the modeling. Revenues from an income tax or the Alaska Permanent Fund dividend would hurt less because everyone would lose a little rather than chopping off jobs.

We're at a branching road for Alaska.

Draconian budget reductions to preserve dividends would buy us a cut-rate Alaska for people who are stuck here and can't leave. Broad-based taxes and use of the fund would provide community stability we could eventually build upon.

And then there's the third path, procrastination.

"We're one tweet away from \$100 a barrel oil," King said. "All it takes is a shooting war in the Middle East and we're back in business. Which I hate to say."

Economic modeling starts with assumptions. You cannot include unknown future events. But you also can't assume all unknown events will break in your favor.

"Stuff will happen. But it could be good stuff or bad stuff. We don't know yet," said Tim Bradner, a longtime petroleum analyst and co-publisher of the Alaska Legislative Digest.

Bradner and other observers agree oil prices will probably gravitate to a range of \$50 to \$60 a barrel for the foreseeable future. Enormous new oil finds last year in the shale of Texas will keep the \$60 price as a ceiling, because if it goes much above that mark more oil can rapidly come into

production.

[\[Alaska's oil glory days aren't coming back. The world has moved on.\]](#)

Alaska has some new oil finds, but much of that oil is uneconomic below \$60 a barrel. Bradner sees new oil being produced over the next 10 years that could, if all goes well, hold back a decline, but not enough to increase the state's output.

On the downside, King and other economists see the health care sector as a risk. King called Alaska's overinflated health care industry a bubble that is still growing. It accounts for 15 to 20 percent of the economy and employs more people than any other sector.

[Read the rest of the article here.](#)

[**What's Happened to the Alaska Economy Since Oil Prices Dropped?**](#)

November 9, 2016, ISER: Research Matters No. 101

A combination of declining oil production and low oil prices has left the state budget billions of dollars in the red. But how has that big drop in oil prices affected the Alaska economy so far? Mouhcine Guettabi, an assistant professor of economics at ISER, examines that question in *Alaska Snapshot* No. 1, the first in a series of short papers that will report on various economic and fiscal issues important to Alaska. In this paper, the author assesses economic changes

by looking at changes in numbers of jobs from March 2014 through March 2016, the most recent time for which reliable employment figures are available. Among other things, he found: Alaska lost close to 1% of its wage and salary job—nearly 2,300 jobs—from March 2014 to March 2016. Those losses could reach 2% by the end of 2016. State government and private industry were hardest hit through March 2016, with the state government losing nearly 1,700 jobs and private industry more than 1,500. By contrast, local governments (which include school districts) added nearly 800 jobs during the study period and the number of federal civilian jobs was up about 165. Even though Alaska as a whole lost jobs, some areas of the state and some sectors of the economy added jobs during the study period. The most robust growth was in the Mat-Su Borough, which added 1,100 jobs, and in the health-care sector, which added 1,400 jobs. An estimated one-third of all local government revenues in recent years have been from the state—which raises questions about how vulnerable local governments are, as the state looks for ways to balance its budget. In some areas of the state, as many as half of all jobs are in local government.

[Download the full paper](#) (PDF, 752KB). If you have questions, email Mouhcine Guettabi at mguettabi@alaska.edu, or call [907-786-5496](tel:907-786-5496).

**War and environmental
disaster saved Alaska**

finances in the past: What will save us this time?

Dermot Cole, [Alaska Dispatch News](#), September 16, 2016

FAIRBANKS—In the two years before the trans-Alaska oil pipeline began pumping in 1977, the state government avoided a distress sale of state assets or a government shutdown by borrowing hundreds of millions from the North Slope oil companies.

The \$900 million collected from the giant 1969 lease sale was almost gone and as pipeline construction began, the state faced a financial crisis.

Steve Cowper, a Fairbanks lawyer and freshman legislator in 1975, recounted this chaotic chapter in state history in a presentation here Wednesday morning.

His audience at the Osher Life Long Learning Institute included about 40 people, most of whom have been around long enough to know that the name of the former Alaska governor, who has been in Texas the last 15 years, is pronounced “Cooper.”

Now 78, Cowper has long since gone gray, but he has not lost his North Carolina drawl or his ability to spin a yarn. I knew that when he started talking about how he had almost become an oil and gas adviser to Somalia some years back and was told, “We’re going to fly you guys over to the Mogadishu airport and you’re going to jump out in parachutes.’”

He never made that leap, but 30 years ago he was elected governor on his second try, claiming to be the oldest rugby player in Alaska. An Anchorage Daily News story by Hal Spencer in early 1986 set the stage for how he was portrayed: “Steve Cowper’s fellow state legislators nicknamed him the High

Plains Drifter after a Clint Eastwood character – a loner whose strong, silent ways carried a hint of danger.”

I did see him kick a trash can once like a soccer ball as a legislator, and there is a famous story about how he tossed a telephone out a state Capitol window in frustration, but Cowper always settled down fast after volcanic episodes, and he inspired a dedicated following during those difficult years of the first big oil collapse.

A former boss, the late Attorney General Edgar Paul Boyko, once said with Cowper’s penchant for always trying the unexpected, he never knew whether Cowper was about to “take a year off to enter a monastery in Tibet or be a war correspondent in Vietnam.”

In 1974, Cowper followed through on a threat to run for the Legislature. He said Wednesday the four years he spent in the state House were the “most remarkable experience of my life.”

It was a time when pipeline construction overwhelmed every aspect of life in Alaska and two things – the disappearance of the \$900 million windfall and the need to borrow money to run state government – helped ensure the creation of the Alaska Permanent Fund.

There is truth in the proverb, “Success has many fathers and failure is an orphan.”

[Continue reading.](#)

Here’s what has the Alaska

Capitol gridlocked

[Austin Baird](#), Political, Rural Reporter, [KTUU](#), April 19, 2016.
[See full article and video here.](#)

[video platform](#)[video management](#)[video solutions](#)[video player](#)**JUNEAU** – Ninety-two days have passed since the regular legislative session started, and still there is no end in sight. Here's what is behind the gridlock:

– According to Department of Revenue forecasts, the state is projected [to pay small oil companies \\$775 million during fiscal year 2017 while taking in \\$1 billion in petroleum revenue](#). Policymakers generally agree that ratio is unsustainable and that changes are needed this year, but there is no consensus over what exactly should change.

– [House Bill 247](#) is Gov. Bill Walker's oil and gas tax credit reform proposal, an overhaul projected to put the state \$500 million closer to a balanced budget in fiscal year 2017, if adopted exactly as the governor recommends. Most of that comes from immediately reducing credits given to companies that develop Cook Inlet and North Slope resources, and \$100 million would be generated by increasing production taxes from 4 percent to 5 percent. Some of the credits attempt to spur new development, and others let companies write off operating losses.

– [House Republicans heavily amended the bill](#) leading to it being scheduled for floor sessions four days in a row last week, before [it was finally pulled from the calendar and sent back to the rules committee](#) when it became obvious there were not the 21 votes needed to pass the bill. House Speaker Mike Chenault, R-Nikiski, offered this candid analysis at that moment: "I think it would have been an almost unanimous vote to fail that bill," he said. There is wide disagreement in the House over what needs to change, with some saying the system

needs to basically stay intact and others calling for a full overhaul. Specific policies being contested include the proposed production tax increase, whether or not a “hard floor” should be enacted so all companies pay at least some taxes, and if changes should take effect immediately or gradually over the next few years.

– While the House Democratic minority caucus is badly outnumbered by the Republican majority – 13 to 27 – Democrats have leverage over oil and gas tax credits because it requires a three-quarter vote to draw from the Constitutional Budget Reserve, a state savings account that will likely be needed to pay for government services as the state faces a \$4.1 billion budget deficit, and to get a plan to use Permanent Fund earnings to pay for government off the ground.

– The governor introduced several tax proposals as pieces of a broader solution to the fiscal crisis, but lawmakers are unlikely to seriously consider taxes that fall far short of solving the state’s financial woes unless broader changes are made first.

– That means all other key policy proposals are likely on hold until there is a resolution to disagreement over oil and gas tax credit reform: finalization of the capital and operating budgets, plans to use Permanent Fund earnings to pay for government, and proposed taxes that would collect revenue from individuals and an array of industries.

– The House Rules Committee scheduled a Wednesday hearing, but the committee chair, Rep. Craig Johnson, R-Anchorage, said Tuesday evening that it is simply a placeholder and that lawmakers are still working to find a viable committee substitute to the bill that was pulled from the floor.

– While voters approved a 90-day regular lawmaking session in 2006, the state Constitution still allows a 121 day session plus a 10-day extension, if needed. The governor or

Legislature can call special sessions in 30-day increments beyond that, so there is no true limit on how long policymakers battle over the response to the fiscal crisis. However, the Capitol can only be occupied until May 2 when a renovation effort picks up in full, so the discussion would need to move somewhere else if there is no resolution before then. Budgets must be finalized before the fiscal year ends June 30 in order to avoid a government shutdown.

[Budgetary activism in solving Alaska's fiscal woes](#)

Alaskans are getting involved in the state budget process in big and small ways. Talk of Alaska on Alaska Public Media explored this activism with representatives of three groups who are offering ideas for how they want state leaders to handle the fiscal crisis. March 29, 2016.

HOST: Lori Townsend

GUESTS:

- Helvi Sandvik, [Alaska's Future](#)
- Drew Cason, [Our Alaska](#)
- Diane Kaplan, [Plan4Alaska](#)
- Statewide callers

[Listen to the podcast here.](#)