

THE HAT TRICK

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The people of Alaska have three problems to solve. The budget problem is today's subject. We also have a public education problem, partly reflected in the power of resistance by special-interest advertising, even if 60% now support an income tax. And we have a governance problem, only partly reflected in the acknowledgement that the legislature, at great public cost, will not address that problem this year, with only slightly more hope for realistic action in the future. This forum is called to present solutions to the budget problem in a public education format. What follows is one list of eight proposals that cumulatively are solutions to the budget problem, but they will go nowhere until the other two problems are also solved.

One. Budget cuts in dam, bridge and road-to-nowhere budgets, salaries in "independent" agencies. Trim administration in education. Wait until health administration settles down. This is mostly just good government. For the budget, "real money" means \$100 million increments trying to resolve a \$2.5 billion dollar problem: that's 25 items worth \$100 M each. (Note that initially administrative efficiencies can help cut spending, but over time inflation will push spending up.)

Two. Oil industry: get rid of all tax credits. Evaluate tax structure, invest in audit.

Three. An income tax and corporate tax adjustments—national norms.

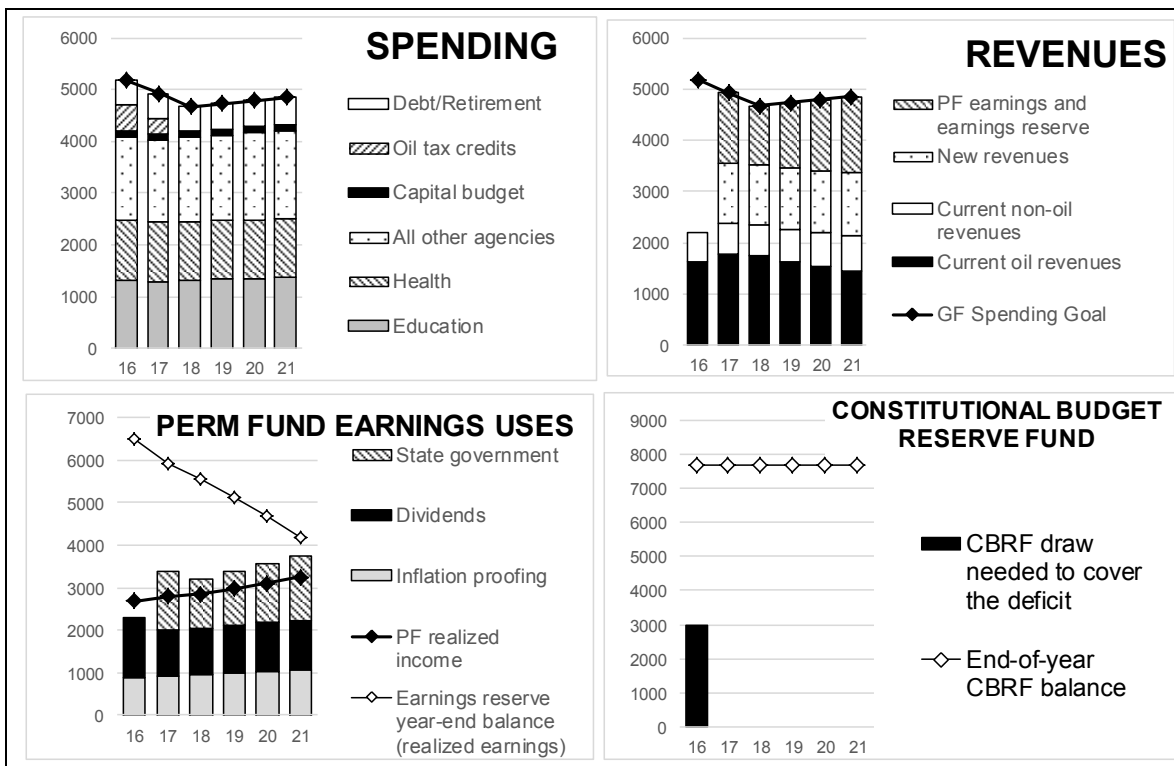
Four. A seasonal sales tax. Tourism must pay its share. Reduction credits where sales tax exists.

Five. Severance taxes on minerals and coal. Look what NANA did.

Six. Raise or impose taxes on alcohol, sugar and sugar drinks (health costs), motor fuel, tobacco, marijuana, prescription drug advertising.

Seven. Divide unorganized borough into boroughs. Introduce property tax.

Eight. Draw on Permanent Fund earnings only as necessary up to 50% after inflation proofing. Fix PFD at \$1,650 with cost-of-living proofing.



Graphs prepared by Gunnar Knapp to compare state finances for FY16 (this year) with projections under the proposal for FY17-FY21, if oil prices average \$70/barrel.