We shouldn’t waste the time before the budget wars begin again

Larry Persily, Published October 21, 2019, Anchorage Daily News

As the chances of a special legislative session this fall diminish, Alaskans have some extra time to think about how to fix the state’s fiscal future next year.

The Legislature will convene in regular session in less than 90 days and no doubt the budget, public services and long-term finances will dominate the debates – as they should. We’ve confronted – and at the same time avoided – the problems since the 1990s. The indecision is hurting our communities and Alaska’s economic future.

We’ve put off the decisions in election years for fear of punishment at the polls, and have been unable to solve them in non-election years because too many players are looking ahead to the next campaign.

All the while, the big-number options for balancing spending and revenues are unchanged despite years of arguing, spreadsheets and town halls: Cut state spending on public services; collect taxes from individual Alaskans, non-resident workers and/or visitors; increase taxes on oil production; use Permanent Fund earnings and adjust the calculation for the annual Permanent Fund dividend.

People can talk all they want about railroads to Canada, roads to remote Alaska mining districts, mythical North Slope natural gas pipelines and hypothetical benefits of being "open for business" (whatever that overused slogan means), but the mathematical reality is that none of the above politically inflated legends could ever produce enough state revenue to avoid the hard decisions on public services, taxes and the size of the PFD.

Our decisions should be based on reality, not dreams.

Those decisions on public services, taxes and the PFD are uncomfortable, even painful to many, and all are politically dangerous, maybe even politically deadly. But waiting any longer isn't going to make some new option appear out of nowhere or make the problems go away, just like the broccoli isn’t going to disappear from the 12-year-old’s plate no matter how long he avoids it.

The solution is all of the above (minus the broccoli). Everyone benefits in the long term if everyone contributes. The odds of political success are better if everyone jumps together.

In the 1969 film, “Butch Cassidy and the Sundance Kid,” Robert Redford and Paul Newman survived when they jumped off the cliff together. Sure, they were being chased by a posse for robbing a train — unlike Alaska, which is being chased by fiscal reality — but the solution is the same: Take the leap together.

Which means legislators and the governor — and the public — need to work next year toward a comprehensive plan for a healthy, stable long-term fiscal future for Alaska.

Which means permanently restructuring the dividend formula to an affordable level that can pay Alaskans for decades.

It means spending enough on public services to protect and educate Alaskans, while building for the future, but resisting spending on programs and special projects that are beyond the role of government.

It means looking at a broad-based tax on individuals, so that all Alaskans, and the guests who enjoy and prosper during their time in the state, contribute.

And it means the oil industry should not be excused from the collective answer.

That doesn’t mean expecting the oil industry to solve all our problems with one big check, like the backers of the oil tax initiative promote. The industry knows it will always be a deep pocket in Alaska. What worries the decision-makers in corporate offices is the 40-year history that they are the only pocket we reach into. That attitude among many Alaskans, and the resulting fear among the industry, is destructive of future investment.

Our best hope is that the higher-oil-taxes-solve-everything lobby, the don’t-touch-my-PFD lobby, the no-new-taxes lobby, and the cut-

spending lobby
will put down their signs, stifle their campaign rhetoric, stop their Facebook
attacks and find an all-of-the-above compromise.

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Last living Alaska constitutional delegate testifies against proposed taxation amendment

Author: James Brooks Published Wednesday, May 8, 2019 Anchorage Daily News

JUNEAU — Victor Fischer, the last surviving delegate to Alaska's 1955-1956 Constitutional Convention, testified Tuesday against a proposed constitutional amendment dealing with taxation, telling lawmakers it is poorly written and would handicap the state in the future.

“If we had had something like that at the time of the construction of the trans-Alaska oil pipeline, state government would have been incapable of dealing with the changes that were taking place,” Fischer told a hearing of the House State Affairs Committee.

Fischer’s status as the last living link to the Alaska Constitution granted him extraordinary deference from the committee, which allowed him to speak for almost an hour with few interruptions.

As Rep. Zack Fields, D-Anchorage, explained, Americans “can’t ask Thomas Jefferson” why he wrote certain things in the Declaration of Independence, but they can speak to someone who was part of the process for one of Alaska’s foundational documents.

The amendment under discussion is contained in House Joint Resolution 5 and would require voter approval of all new taxes or tax increases. The amendment was proposed by Gov. Mike Dunleavy, but as Fischer pointed out, the state constitution doesn’t give the governor a role in amending the constitution.

“It’s your amendment if it goes before the people,” he told lawmakers. “It’s not the governor’s.”

The governor has proposed two other constitutional amendments: a tightening of the existing constitutional spending cap and a constitutional guarantee for the Permanent Fund dividend.

Fischer previously stated his opposition to all three amendments in [an op-ed submitted to the Daily News], and on Tuesday he expanded upon his position with a focus on the taxation amendment.

To lawmakers, he said the effect of the amendment is to freeze state taxes in place, regardless of whether or not they are appropriate.

“(They) may be totally inappropriate seven years from now, to say nothing about 70 years from now,” he said.

He pointed out that when the Alaska Constitution was written, “big oil” hadn’t yet been discovered, yet the document was flexible enough to serve as the basis for the state’s resource wealth today.

He alluded to the popular debate over Senate Bill 21, the oil tax reform legislation that passed the Legislature in 2013 and was upheld at the ballot box in 2014.

Are Alaskans sure, he asked, if that is the appropriate oil tax system now and forever?

“It is freezing something at this moment of time instead of leaving it to future legislatures, to future actions,” he said.

Fischer also had tough words for the text of the amendment itself. He pointed out that the constitutional convention had an entire committee devoted to writing things simply and clearly for the public. The taxation amendment is too long and written poorly, he said.

“Do it in one sentence. Don’t do pages in the constitution, because then you get involved in minutiae, and future legislators will have to come and clean up the mess that you’ve made,” he said.

Regardless of his opinion, Fischer said, the guiding hands on the language of any amendment are those of the Legislature.

“This is your responsibility. You decide – not the governor, not the Supreme Court – what goes before the people,” he said.

[Read the full article here.]

Affordable housing in Anchorage is ‘like the game of musical chairs,’ says Cook Inlet Housing Authority

Cassie Schirm from KTVA Channel 11 News. March 8, 2019

https://www.ktva.com/clip/14776175/affordable-housing-in-ancho rage-game-of-musical-chairs

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How does Alaska’s Spending Compare?

Alaskans have been arguing for years about how much the state government should be spending, ever since low oil prices gouged a big hole in the budget—and the state has been using up its savings to pay the bills. We don’t know how much the state should spend: that answer depends on what things Alaskans want to keep, and what they’ll pay for them. But we can throw some light on the debate.

Read the full article by Mouhcine Guettabi, Trang Tan, and Linda Leask of UAA’s Institute of Social and Economic Research.

Language of Ballot Measure 1

Summary language:

An act providing for the protection of wild salmon and fish and wildlife habitat.
This act would amend Alaska’s fish habitat permitting law. The act would require the Department of Fish and Game (ADF&G) to

apply new standards to permitting activities and development projects that have the potential to harm fish habitat. The act would exempt existing projects, operations, or facilities that have received all state and federal permits until a new permit is needed. The act would create fish and wildlife habitat-protection standards. The standards would address water quality, temperature, streamflow, and more. The act defines "anadromous fish habitat." The act would allow ADF&G to apply the law to all habitat in Alaska that directly or indirectly supports salmon or other anadromous fish. The act would provide for three types of permits for development in anadromous fish habitat. ADF&G could issue a general permit—a single permit that applies to many people—for certain activities. For other activities that require a permit, the act would establish a two-track permitting system. Minor permits would be issued for activities that have little impact on fish habitat. Major permits would be issued for projects that have the potential to cause significant adverse effects on fish habitat. The act defines "significant adverse effects." The act would require ADF&G to avoid or minimize adverse effects through mitigation measures and permit conditions. It would provide public notice on all permits and a chance to comment on major permits. The act would create criteria, timeframes, and an appeals process for the permits by interested persons. The act would allow ADF&G to respond to specified conduct with tickets, civil fines, or criminal penalties. The act would repeal two current statutes. One is regarding mitigation from a dam. The other is regarding criminal penalties that are addressed elsewhere.

Interested in reading the actual language of ballot measure 1? This includes the edits based on the Supreme Court decision in August. [Please visit the Division of Elections page with the language here].

Draft STIP released for 2018-2021

The Alaska Statewide Transportation Improvement Program (STIP) is the state's four-year program for transportation system preservation and development. It includes interstate, state and some local highways, bridges, ferries and public transportation, but does not include airports or non-ferry-related ports and harbors. It covers all system improvements for which partial or full federal funding is approved and that are expected to take place during the four-year duration of the STIP.

More information on their website.

Read the STIP.

Climate Action Leadership Team releases draft climate change policy

Alaska takes first step toward a state-level climate policy. Plan calls for 30 percent less emissions, 50 percent electricity from renewable resources by 2025.

Link to the draft Climate Change Policy.

Link to Juneau Empire article.

Effects of PFDs on Poverty Among Rural Alaska Natives

UAA ISER Publications
April 10th, 2018

A recent article in the journal World Development, by Matthew Berman, professor of economics at ISER, examines how the Permanent Fund dividend (PFD) has reduced poverty among the 60,000 or so Alaska Natives living in small, isolated communities far off the road system. PFDs are cash payments the state government makes to virtually all Alaska residents every year.
Rural Alaska Natives are much more likely than other Alaskans to be poor, mostly because jobs are scarce in remote areas. The author found:
Without PFDs, more than 28% of rural Alaska Natives would have fallen below the poverty line from 2011-2015, compared with about 11% among all Alaskans. With PFDs, poverty during that period dropped to about 22% among rural Alaska Natives and 9% among all Alaskans.
But those recent rates are higher than in 2000, when PFDs reduced poverty to 14% among rural Alaska Natives and about 6.5% among all Alaskans. PFDs have become less effective at reducing poverty, partly because PFDs didn't grow as fast as inflation. But also, more Alaskans now have incomes that fall further below the poverty line—so it takes more to lift them out of poverty.

This article is open access. Download "Resource rents, universal basic income, and poverty among Alaska's Indigenous peoples," by Matthew Berman, in World Development, Volume 106. If you have questions, contact the author at

matthew.berman@uaa.alaska.edu.

What do we know to date about the Alaska recession and the fiscal crunch?

Mouhcine Guettabi, Assistant Professor of Economics, Institute of Social and Economic Research, UAA
February 12th, 2018

Abstract:

We provide a broad overview of the state's economic and fiscal conditions. We show how the economic contraction has spread away from natural resource and mining and state government to household spending dependent sectors. We also show that while the rate at which jobs are being lost has slowed, it is inaccurate to think about that as a sign of a recovery. That is because the engine of growth that is O&G employment as of June 2017 was only 75% of what it was in 2014. Additionally, the softness in spending activity may linger for an extended period of time. We also assess the regional effects of the recession and show the significant heterogeneity in experience. Unsurprisingly, areas with economic bases not associated with Oil and Gas and with relatively little dependence on state government spending are holding up best. After establishing an understanding of the economic conditions, we offer a back of the envelope calculation of the capital investment losses associated with the fiscal uncertainty. Then, we provide a comparison of Alaska's taxes relative to the rest of the US, and a simulation of the effects of different withdrawal amounts on the permanent fund

balance and the earnings reserve.

Read the full study here.

Here’s the true economic cost of the uncertainty created by the Alaska Legislature

Author: Charles Wohlforth | Opinion Published February 18 Anchorage Daily News

Posturing and rigidity by members of the Alaska Legislature has cost the private economy perhaps half a billion dollars a year in investment that could have sped recovery from the recession, according to a new report.

Business people have said for two years that political uncertainty is holding back the state economy by discouraging investment. Without knowing what to expect in taxes, spending cuts or other economic shocks, businesses held back on capital expenditures for expansion or new ventures.

But that concern always seemed vague and unmeasurable, allowing legislators to behave as if delay had no cost.

Read the full article here.