

# Cut Services, Tap Wealth Before Taxing

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Polls indicate our fiscal gap is the top policy priority of most Alaskans. We urgently need to debate and decide on how to resolve this problem. The circumstances we face are clear to all of us. We have been spending our savings account for years, and its end is clearly in sight. The consequences of doing nothing are unacceptable.

The Daily News series that concludes today has identified issues that merit consideration in the ultimate determination of our fiscal policy. But we should question whether it is the best policy to start with an income tax on working Alaskans and end without any meaningful spending reductions. That sounds more like a California solution than an Alaska solution. Any successful fiscal plan must incorporate Alaska's unique public ownership of immense resource wealth. Emphasizing our resource wealth and reversing the priority suggested by the paper could give us a viable Alaska solution. In fact, reversing the priority pretty much gets us to the five-point plan I proposed as co-chairman of the House Ways and Means Committee.

Instead of beginning with an income tax, we first need to determine the level of services we, the public, are willing to pay for. This clearly means cutting budgets until the majority of Alaskans collectively assert that enough is enough and convincingly communicate that conclusion to their elected representatives.

Whatever Alaskans decide the appropriate spending level to be, we must next determine what role Permanent Fund earnings will play in our fiscal policy. Our options range from taking the fund's earnings completely off the table and balancing the budget with taxes alone, to eliminating the dividend and using all the earnings for services. A reasonable solution would adopt endowment management to inflation-proof and guarantee the long-term value of the fund. We could then continue our current practice of paying half the earnings in dividends but use the other half toward balancing the budget.

We are fortunate our Permanent Fund has reached critical mass. Our principal can be protected and will provide earnings that are predictable and adequate, both to pay growing dividends in excess of \$1,000 each and to nearly eliminate projected budget deficits. Barring a catastrophic decline in oil prices, we are not likely to require large, broad-based taxes of any kind in the foreseeable future. We will need to implement some smaller taxes and targeted revenues to supplement our current revenue system. However, heavy-handed taxation of working Alaskans does not have to be, nor should it be, the pillar of our fiscal structure. Should there be significant decline in oil revenues, we need to be prepared to accept personal taxes, but right now they are not warranted.

We also need to promote the critical component of further natural resource development, especially our gas reserves. Most importantly, we need a mechanism to provide both a budget stabilization fund to dip into when oil prices drop significantly and a means to share the wealth

with individual Alaskans when market prices rise and provide revenue in excess of our needs for government.

Alaska's fiscal problems need Alaska solutions based on our unique public ownership of vast undeveloped natural resource wealth and the significant predictable earnings from our Permanent Fund. We have successfully converted a critical amount of our nonrenewable resources into monetary investments with the potential to be the cornerstone of a practical fiscal policy that all Alaskans can support. However, in the final analysis, this will not replace our collective responsibility to elect state administrators and legislators who will use the same reason and restraint in spending the public money as they would their own funds.

Fiscal discipline, resource development, investment earnings and a carefully structured general revenue system that anticipates future oil price volatility will serve long and well the best public interest of all Alaskans.