

# ALASKA STATE LEGISLATURE

## News from the Senate and House Majorities

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## **Legislature Pans State of State Address** **First Step in Escaping Fiscal Hole is to “Stop Digging Deeper”**

(JUNEAU) – Gov. Tony Knowles’ call to meet projected budget deficits by imposing new taxes on working Alaskans and their families and expanding the budget, without first setting a cap on government spending, received a critical response from legislative leaders Wednesday night.

“When you’re in a hole, the first thing you do is stop digging,” said Sen. President Rick Halford (R-Chugiak). “It simply doesn’t make sense for the governor of a state facing a potential \$1.2 billion budget deficit to dramatically increase state spending.”

“I’d like to tell you I support every provision of the governor’s State of the State speech, but I can’t,” said House Speaker Brian Porter (R-Anchorage). “The very first thing he mentioned is increased spending, and that is the very first thing that the Republican Majorities feel Alaskans want us to curtail.”

In his final state of the state address, the governor laid out a proposal to raise \$400 million in new taxes and other revenue sources in each of the next three years, while adding as much as \$300 million to the state’s budget. Members of the Republican legislative leadership questioned the wisdom of that approach, pointing out that their 10 years of fiscal restraint has afforded Alaska breathing space in which to consider an incremental approach to the state’s fiscal problems without going first to new revenue.

“In my mind there are two ways of fixing the budget deficit we have, and spending more money isn’t one of them,” said Rep. Eldon Mulder (R-Anchorage), co-chair of the House Finance Committee. Mulder said his tally showed the governor’s proposed spending increases total almost \$300 million, including about \$190 million in social services and education, a \$55 million liability for Medicaid services, \$47 million for “homeland security,” plus anticipated supplemental budget requests and other expenses.

“When you compare that with the \$400 million in new revenue with the \$300 million in spending the governor has proposed, gaining only \$100 million a year at a time is not going to get us very far, very fast,” Mulder said.

Sen. Dave Donley (R-Anchorage), co-chair of the Senate Finance Committee, pointed out that Knowles has advocated adding a total of \$1 billion to the state budget over his eight years in office, and called for the governor to abandon his resistance to allowing his commissioners to help legislative budget-writers set priorities for departmental spending.

(MORE)

“Twenty-six other states facing budget shortfalls have responded by implementing well-considered budget reductions, and by setting priorities among state services,” Donley said. “I would really hope the governor would help us to find ways to reduce state spending that minimize the impact upon Alaskans. We need the help of his departments to do that.”

Legislators said that the citizens of Alaska deserve to see continued evidence of fiscal restraint by government before they are asked to provide new revenue to support public services, whether through sales or income taxes, user fees or reduced Permanent Fund dividends. This must begin with a meaningful spending cap such as the one now before the House after passing the Senate last session, Donley said.

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