

## Long Term Sustainable Budgeting

The Fairbanks North Star Borough Assembly just passed a resolution asking the Legislature to implement a sustainable budget. I voted against it since it specifically asked for taxes, and those aren't helpful or necessary for the present situation. During the testimony it was shown that there were a lot of misconceptions about our State budget situation, so I wanted to clarify some of the details.

First, the state will be entering an economic downturn, or recession. It has nothing to do with the legislature making cuts; the state spending more dollars will not stop the recession. We should all be prepared for this natural response to low oil prices. Please understand that the lingo about "don't cut too much or we'll get a recession" is just a political ploy by big spenders in the legislature who don't want the gravy train to stop. They'll use it in the elections the next few years to try and sell the voters that any legislator that made cuts caused the recession. Please think for yourself and don't buy it. Remember, if taxes or PFD cuts go into effect, that money will be taken out of the economy. So any government spending from that was with money already withdrawn from the economy, so it gives no help to the economy. Actually, it makes it worse because government can't redistribute money without using some, so less gets back to the economy than came out of it.

Second, most of the proponents of taxes or PFD cuts are targeting a goal of having a zero deficit. This isn't needed, and in fact goes against having a sustainable budget, since it has a mindset that we should spend all we get. Since the large money started coming in from high oil prices the state has budgeted based on high oil. The Governor's plan is now reacting to that and budgeting based on low oil. To achieve a sustainable budget, we need to realize that oil prices are cyclic, they will rise and fall over and over again. We can therefore create a budget that is the same (indexed for inflation) ongoing by knowing that fact. Once you get to this sustainable budget number (around \$4.3 billion now), you can have a structured deficit in the lean years, and build your savings back up in the good years. Isn't that why we have savings accounts, to handle unexpected crises?

Third, a sustainable budget plan I've described has already been worked out by Economist Scott Goldsmith with ISER (UAA Institute of Social and Economic Research). It is based on using our two current primary revenue streams, oil and investment income. With that revenue and cutting to a sustainable budget number, we won't have to implement onerous taxes or PFD cuts.

Fourth, the investment income is mostly put into the Earnings Reserve of the Permanent Fund. It doesn't affect the Permanent Fund, and it doesn't have to touch the PFD at all. We can completely protect the PFD while implementing this plan.

I agree that we need to appeal to the Legislature to implement initiatives to achieve a sustainable budget, and I would encourage everyone to do that. Please remember when doing

so, that it can be done with a structured deficit, without taxes or PFD cuts, by using our existing revenues. I was here in the late 80s when we had our last big recession, and while it was miserable, we survived, and we can do it again. Hopefully this time we learn our lesson and stop increasing government spending constantly in the future.