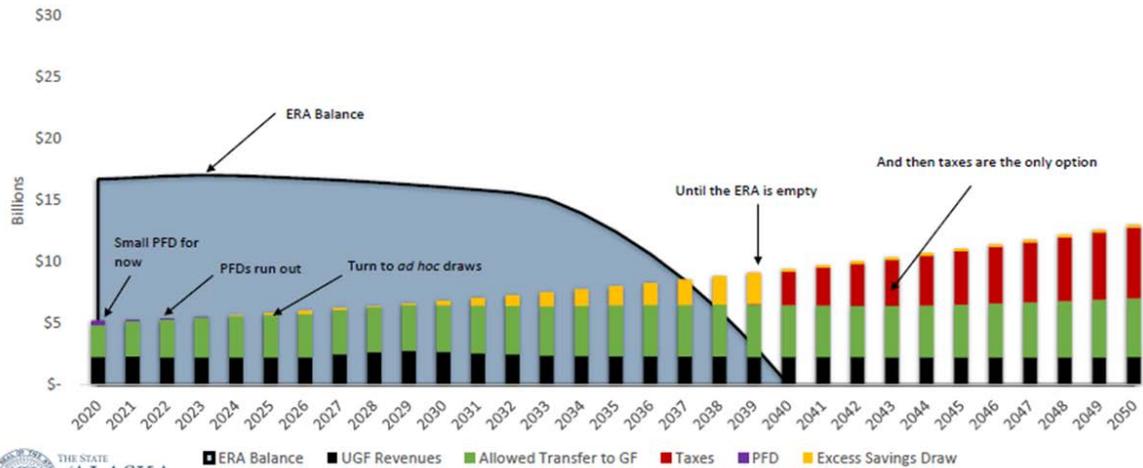


Twelve Years

Where does the current path lead?

No PFD, No Savings, and No good options for future Alaskans



2019 Graph of the Year

Just when you think you've seen the worst year of government in Alaska, you find out you were wrong. The past four years were awful. We had a fiscal crisis but nothing was being done about it. There were attempts to raise revenue, but even if they had succeeded, it wouldn't have come close to solving the problem.

Examine the attached graph, the most important one for the year, and you'll see what every legislator knows. If you use the PFD to fund government, you lose it in two years. If you use the Earnings Reserve balance then you get about 10 more. If you then implement taxes you won't get more than a few years (Walker's attempt would have only raised \$700 million). The natural increase of government (a conservative 4% in this graph) will outpace the increase in revenue. This is what Governor Dunleavy realized when he was looking at the budget issue. It's impossible to fix our budget based on revenues alone. If you try, you'll just bankrupt the State in about a dozen years. You'll then lose the University, all the retirement plans and all of those other programs you might love.

This explains why more cuts have to be made because, to get to a sustainable budget, you have to make a lot of cuts over the next few years. Now the governor is making the hard decisions on how to get there and is taking a lot of heat for being laser-focused on his campaign promise to fix this fiscal situation. It may be enough to cost him a second term, but that shows the courage he has to face the problem.

Now comes the irony. The Legislature is split in two factions. There is the anti-governor faction who want to repeal all of the cuts and not pay anything close to the statutorily mandated PFD, and they are fighting the governor every step in a way that mirrors the national level politics. An example of this is

their push for an unconstitutional forward funding of education, which left no real funding in the budget for education. Then there are those who want some to none of the vetoes repealed and want to work with the governor to solve the problem. They had tried to amend in funding for education but it was rejected by the other side.

The governor called the special session to deal with the undone PFD issue, and to give them a chance to repeal the line-item vetoes. The irony is because the anti-governor group has decided to break the law and meet somewhere else than the governor chose, they don't have enough legislators in attendance to overturn the vetoes. After the cuts came out they should put their heads together and come up with a compromise to restore a bunch of the cuts and fund a full PFD. The governor made such large cuts that it made for an obvious compromise. What the anti-governor group has done is to "cut off their nose to spite their face". Sometimes in politics you just have to compromise to get important stuff done.

So now we have all the vetoes in place, a capital budget that has no funding and no PFD. Legislators are talking about amending something into the capital budget, but that can also still be line-item vetoed, so they have to get $\frac{3}{4}$ of themselves to agree. Since a few members have been thrown out of the caucus because they stood for rule of law, it's going to be pretty hard to get that agreement now.

One of the biggest mistakes of the last administration was cutting the PFD for 3 years. That took over \$2 billion out of the economy in a recession, so this governor is pushing hard not to replicate that mistake. A deal will have to be made so when you're writing all those emails and letters to the legislators, you might want to ask them to act more maturely and make some kind of deal that will work for everybody. Email the House Minority thanking them for standing for rule of law and telling them it's OK to compromise as long as they make the trade for a full PFD. We finally have a governor intent on solving the problem. We just need a legislature that acknowledges the issue and will rise above childish nose-thumbing to solve it.