

## **Lawmakers will debate how much to save**

### **Two bills would stash billions into the Alaska Permanent Fund.**

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JUNEAU -- One of the big issues facing lawmakers this session will be how much to spend on immediate wants and needs and how much to save for the future.

This isn't a new debate. In recent years, majorities in the House and Senate, as well as the governor, have each taken credit for socking away money while still passing robust spending plans. For some lawmakers, however, attempts at fiscal prudence haven't gone far enough.

At least two bills pending before the Legislature -- the 2012 session opens today -- would put billions of dollars into the Alaska Permanent Fund, which is far more difficult for lawmakers to get access to than other state savings accounts. Another bill proposes a constitutional amendment that would cap spending and compel future savings.

"There's plenty of money to go around if we manage it wisely," said Sen. Johnny Ellis, D-Anchorage.

Ellis is the lead sponsor of SB142, which would move \$2 billion from the Constitutional Budget Reserve Fund into the Permanent Fund. The measure would put another \$2 billion from the reserve fund into a special fund intended to help address the state's pension debt. Ellis is separately proposing the creation of a pension reserve fund.

Ellis said legislation like this, which has at least one Republican co-sponsor, helps focus the conversation on saving. It's not clear how much traction the measures will get.

House Speaker Mike Chenault, R-Nikiski, said the Legislature has been doing the right thing the last several years by putting money into savings and being "somewhat frugal." But he said he doesn't think lawmakers should be mandated to put a certain amount aside, noting uncertainties about future revenues.

He said if it makes sense to put more money toward addressing the unfunded pension liability then that's what should be done. But he said lawmakers also must be careful about tying up liquid assets, as that could leave the state in a precarious financial position in the future.

A spokeswoman for Gov. Sean Parnell, Sharon Leighow, said the administration had no specific comment on the proposed legislation, pending further review. But she said Parnell has already committed to saving surplus revenue and proposed additional savings to draw from in leaner years.

"His fiscal responsibility is also demonstrated by record vetoes he exercised across the last two years," she said.

Alaska is in an enviable position among states. It didn't feel the effects of the U.S. recession nearly as much as most other states and high oil prices have helped to keep its treasury flush. As of July 1, the start of this fiscal year, Alaska had \$15.9 billion in undesignated savings, a category that

includes the constitutional and statutory budget reserve funds and Permanent Fund earnings reserve account. Total market value of the Permanent Fund currently stands at about \$39 billion.

But challenges lie ahead. The state's economy relies heavily on oil production and federal funding. Oil production has been declining and federal funding is expected to diminish, as Congress faces a massive deficit. Then there's the pension issue. The state is facing an estimated \$11 billion unfunded pension liability.

Parnell has proposed cutting oil production taxes as a way to boost exploration and production, but his plan faces a tough road in the Senate.

Ellis' bill would be a one-time deal, as would a proposal by Rep. Mike Doogan, D-Anchorage, which would take \$10 billion from the constitutional budget reserve and put that money into the Permanent Fund. Adding to the principal of the Permanent Fund would likely boost over time the size of the dividend that Alaskans receive. The last time the Legislature made a transfer from outside the Permanent Fund was 1985 -- and it was \$300 million.

The state constitution would have to be amended for lawmakers to access the Permanent Fund principal.

The proposed constitutional amendment, by Sen. Bill Wielechowski, D-Anchorage, would be perpetual, capping at \$6 billion the amount of unrestricted oil revenue that could be spent in a year and requiring that at least two-thirds of the money above the cap be put into the constitutional budget reserve. (The cap would be adjusted for inflation and population growth.)

If the measure passes the Legislature, Alaskans will get a chance to vote on it.

"I think this will be a big point this year in the Legislature because we've got a lot of money and want to make sure we don't blow it all," Wielechowski said.

Ellis said that over the last five years, about \$11 billion has been put into the constitutional and statutory budget reserve funds. He credits the Senate's bipartisan majority with leading the way, noting that several years ago, senators had buttons made declaring that they were on a "savings spree."

Doogan said there's been more talk about saving recently but he argues that neither the Legislature nor the governor is taking the issue more seriously, noting the continued growth in Alaska's operating budget. Parnell has blamed recent year increases in large part on formula-driven programs, like education and Medicaid.

Doogan laughed when asked if he thought his bill, which was introduced last year, would get a hearing.

"The impetus is to spend money, not to save money," he said. "Politicians talking about saving money is a good thing, but I don't see that happening."

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