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Our View: State savings? Good idea

Some lawmakers aim to fortify reserves while surpluses last

Sen. Bill Wielechowski wants a constitutional amendment to limit state spending of unrestricted oil revenue to \$6 billion a year, with two-thirds of the rest deposited in the Constitutional Budget Reserve.

Sens. Johnny Ellis, Bettye Davis, Tom Wagoner and Wielechowski want to tap Alaska's surplus for a \$2 billion deposit into the Permanent Fund -- over and above the constitutional deposit requirement -- and \$2 billion more to help cover the state's pension obligations. By whatever means work best -- and in whatever amounts make the most sense -- Alaska should do all of the above: cap spending of oil revenues, keep reserves strong, build the Permanent Fund and cover retirement costs.

"I think we've got an obligation to put as much money as we can into savings," Wielechowski said. He argues that talk of providing for our children and children's children is just talk unless we back it up with real money.

He's right. All of these savings mechanisms -- CBR, Permanent Fund, a proposed Alaska pension trust -- can help keep Alaska on a sound financial basis.

We're blessed. We've said it before and it bears repeating. Other states have struggled to make ends meet, laid off police and teachers and cut programs. Alaska counts its surplus in double-digit billions, last fall sent a dividend check of \$1,174 to every resident and just had its credit rating raised to AAA.

While other states struggle to deal with less, our challenge is to wisely manage more. If Department of Revenue projections pan out, we'll have more than \$5 billion in surplus oil money from the current fiscal year and the next. Wise management means savings. There should be broad agreement about that. The question then is what's the most effective way to save.

Wielechowski's amendment would use the authority of the state constitution to force lawmakers to save.

One legislature cannot bind a future legislature -- but the constitution can. At \$6 billion (with growth allowed for population and inflation) we should have plenty of money for operations and robust capital spending before we hit the cap.

Personally, Wielechowski said, he'd like to build the CBR into a \$50 billion fund that could earn enough money to help cover future state spending, making it both a reserve and an endowment. Some would argue that was the purpose of the Permanent Fund, but politically the Permanent Fund has become all but untouchable for anything but dividends. That could change. Whether it does or not, it's a good idea to deposit some of our billions in the Permanent Fund for two reasons.

One, the deposit will put more of Alaska's wealth aside for future Alaskans. We can't settle for them the debate over the best use of Permanent Fund earnings. Our job is to make sure there's plenty to argue about. Our job is to make good on the promise of "permanent,"

turning the nonrenewable resource of oil into a renewable endowment that spans generations.

Two, while saving for the future the deposit will enhance the present and near future by putting more of Alaska's oil wealth to work now, which is likely to boost dividends.

Eat our cake and have it too? Yes, we can -- if we're smart. It's not all blue sky ahead -- federal money will diminish, we have some challenges unlike those of our neighbors in the

Lower 48, and recent history reminds us how fast reserves can burn. But Alaska has the means to spend, invest and save -- all at the same time.

We can argue about how well Alaska has done with its wealth, but Alaska has proved it knows how to save -- and the upcoming legislative session will be a good time to prove it again.

BOTTOM LINE: Let's make sure our billions outlast us.