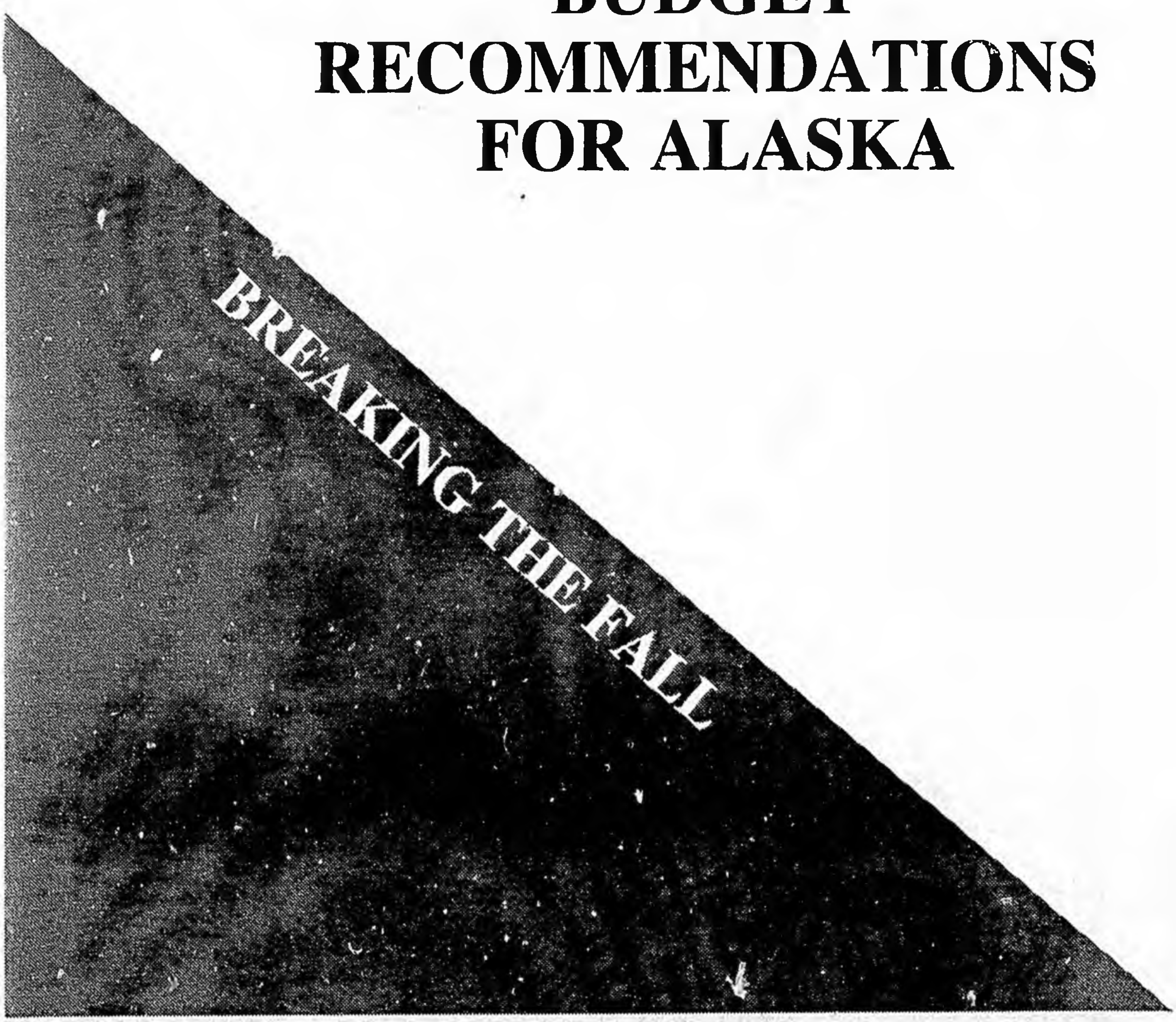
Common-
Wealth
North

SFIN
FILE

ACTION PAPER

COMMONWEALTH NORTH

BUDGET RECOMMENDATIONS FOR ALASKA



Breaking the Fall:
Budget Recommendations for Alaska

Declining oil production and low oil prices are bringing Alaska's state government closer to the financial cliff—but we can still save ourselves from falling over the edge.

The state currently faces a $1 billion budget deficit and will face future deficits, because oil revenues—which pay 85 percent of government costs—are declining.

Commonwealth North (CWN) proposes budget actions the state should take *immediately*, and others it should take over the next four years.

CWN recognizes that some of these actions are politically unpopular and will be strongly resisted. But if we don't begin now, there will soon be a steep fiscal drop that will require far more draconian remedies.

These recommendations grew out of CWN's October 1993 budget conference and subsequent work by a CWN budget committee. All the tools for closing the state's "fiscal gap", as identified by Scott Goldsmith of the University of Alaska Anchorage's Institute of Social and Economic Research, are utilized in these recommendations.

COMMONWEALTH NORTH

March 1994

WHAT THE STATE SHOULD DO NOW

RECOMMENDATIONS	FISCAL IMPLICATIONS
Cut Spending	
• Freeze the operating budget below current levels.	$60 million reduction in FY 95.
• Reduce the capital budget to below historic levels.	A $100 million budget is $150 million below historic levels and $516 million below FY 94.
• Cap Permanent Fund Dividend expenditures at current levels.	Save at least $34 million in FY 95.
Increase Revenues	
• Increase taxes and user fees. Consider increasing "sin," motor fuel and fish taxes.	Up to $90 million in new revenues annually.
• Change the statutory priority to inflation-proof Permanent Fund first.	Could add $850 million more to principal by 2005, depending on use of Earnings Reserve.
• Encourage increased oil exploration and development.	100,000 bbl/day increase in production yields $50-100 million/year.
Get A Plan	
• Create Alaska Finance Commission with administrative, legislative and public members to produce a four-year financial plan.	Year-to-year predictability and stability of revenues and expenditures.
• Develop a plan for saving, consolidating and providing prudent access to reserves and non-recurring future revenues.	Existing and future reserves ($1-$3 billion) protected from short-term liquidation. Total reserves available would be predictable.
• Create income tax commission including legislative, administrative, and public members to hold hearings, analyze tax structures and submit a tax proposal to the legislature in Jan. 1995.	Revenues ($250-400 million) from an income tax will take a minimum of two years from enactment to fully realize.

Putting the Budget Tools to Work

Reduce State Spending

In recent years state spending has far exceeded normal recurring revenues. The State has used windfalls, tax settlements, and reserves to fill the gap.

Alaska must cut spending before taking any other steps to balance the budget. The State can significantly reduce spending over time by holding the budget at current levels and absorbing inflation and population growth. Such action would allow the state to maintain basic services and avoid serious disruption of Alaska's economy, which relies heavily on state spending. Officials would be forced to set spending priorities, increase efficiency, and make cuts.

Alaska must immediately draw up a long-term financial plan. Successive administrations and legislatures have simply budgeted from year to year, depleting a large share of reserves, making state spending volatile, and risking Alaska's long-term financial health.

Save Reserves

Despite the State's lack of discipline in spending reserves in recent years, considerable reserves remain—including more than $800 million in the Constitutional Budget Reserve Fund (CBR), $1.1 billion in the Earnings Reserve Account (ERA) of the Permanent Fund and perhaps $1 to $3 billion in outstanding legal disputes.

We assume that the State will spend as much as $800 million of existing reserves this year to meet unexpectedly large deficits for fiscal years 1994 and 1995. We also assume that the legislature will address the nearly $1 billion court-ordered deposit to the CBR. Still, as much as $1.2 billion in reserves will remain—either in the CBR or in the ERA. But, projected deficits for the next two to three years could equal most of these remaining reserves.

Neither the CBR nor the ERA appears adequately protected from easy, short-term access or, on the other hand, structured to allow realistic flexibility to meet unforeseen future circumstances. We must determine a better way to consolidate and husband the reserves we still have and those we expect to get in the future. Any restrictions on these funds that would bind future legislatures would require a constitutional amendment.

Protect the Permanent Fund

The legislature can't spend the principal of the Permanent Fund, but it can appropriate the earnings. About half is used to pay dividends to Alaskans. Paying dividends takes precedence over any other use of earnings.

Earnings should go toward inflation-proofing the Fund first. In the future under current law paying dividends will use so much of the earnings that there won't be enough left to fully inflation-proof the Fund, and there will be no earnings available to help pay for general government.

The amount that goes toward paying dividends should first be capped and then reduced $50 million per year over the next several years. The dividend program could continue, although dividends would be smaller. Remaining earnings would stay in the earnings reserve and be available to help pay for general government.

Broaden Tax Base

Increasing some existing taxes and user fees—like alcohol, tobacco, motor fuel and fish taxes—could fill a small part of the gap and help pay for state services.

Alaska will need an income tax in the near future. It could raise an estimated $250-400 million annually, it is progressive, it is deductible against federal taxes and it taxes wages of non-resident workers. It could also help capture and pay for benefits of development, without impeding the competitiveness of the development.

The State should immediately create a tax commission to determine by January, 1995, how best to structure an income tax. It would take at least two years after enactment for full tax revenues to flow into the state treasury.

Promote Economic Development

The lion's share of state revenues in the foreseeable future will—despite the overall decline in production—still be from oil development. Development of new, smaller oil fields is possible and should be encouraged.

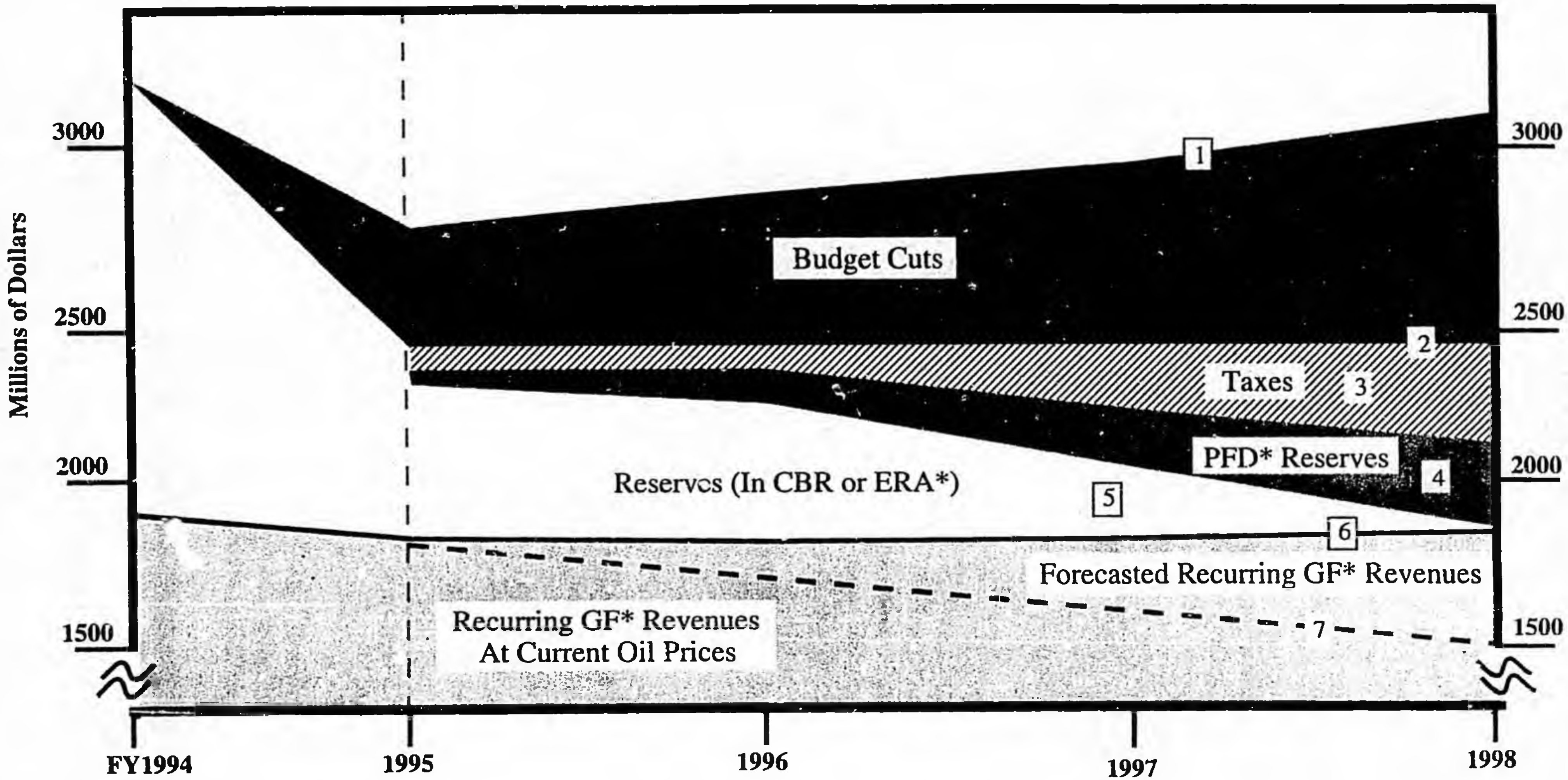
The State should continue to promote development of a gasline to carry natural gas from the North Slope, the lifting of the ban on the export of North Slope oil, and the opening of the Arctic National Wildlife Refuge to oil development. But we can't count on those developments for future state revenues.

The State should provide a positive climate for development. Resource developments other than oil would provide relatively little state revenue under the current tax system. But new developments can benefit local governments through property and other local taxes—which could help offset reduced state aid to local governments. Also, a state income tax could capture the benefits of new economic development and jobs by taxing increased personal income.

What the State Should Do Over the Next Four Years

RECOMMENDATIONS	FISCAL IMPLICATIONS
• Hold future budgets below inflation and population growth. Reductions achieved by: - Limiting growth of formula/entitlement programs - Phasing out unique programs not based on need. - Restructuring programs for efficiencies, privatization opportunities, possible local government responsibility and wage, benefit savings.	Up to 5% annual reduction in inflation-adjusted dollars; Reduces state spending by $100-120 million annually, or a cumulative budget cut of nearly $500 million by 1998.
• Reduce, but not eliminate, total Permanent Fund Dividend expenditures over time.	Reducing expenditures by $50 million/year would save $278 million in FY 98. Would permit individual dividends of approximately $675 in FY 98.
• Reimpose a personal income tax.	Could raise $250-400 million in revenues annually.
• Establish a consolidated account for existing reserves and future non-recurring revenues with restrictive access provisions, including super majority vote and maximum annual withdrawal.	Existing and future reserves ($1-3 billion) would be protected from short-term liquidation. Total reserves available would be known and predictable and could be used as needed over many years.
• Emphasize equities in Permanent Fund investments.	Equities have outperformed other investments over time and have earned returns well in excess of inflation. A 1% increase in the Fund's earnings equals $186 million in FY 2000.
• Re-evaluate the inflation-proofing mechanism and dividend program to reflect Permanent Fund unrealized capital gains, earnings and asset allocations.	Currently unrealized gains are not calculated in the Fund's value. The decision to take capital gains may be affected by potential impacts on annual earnings, inflation-proofing and dividends. Some inflation-proofing is occurring through equity investment.
• Provide a positive economic and regulatory climate for future developments.	Diversified development would build an employment base to help offset declining oil revenues.
• Continue to promote the marketing of North Slope natural gas, the opening of Alaska National Wildlife Refuge and lifting of the oil export ban.	A gasline could contribute $250-450 million annually, ANWR development $0.8-$2.5 billion annually and the export ban repeal $150-200 million.

FISCAL IMPLICATIONS OF CWN RECOMMENDATIONS



Notes:
1. Maintenance level budget (operating budget 3% growth, $300 mil. capital)
2. CWN recommended total spending cap ($2.46 billion)
3. Income tax comes in 1/2 year in 1997, full year 1998
4. PFD reductions from status quo; increase $ in ERA available for appropriation
5. Existing reserves remaining in FY98 - about $500 million
6. Dept. of Revenue forecast: FY94, Actuals; FY95, 2/94 forecast; FY96-98, Fall '93 low-case ($15-17/bbl.)
7. Estimated revenues at current oil prices($13.25/bbl.)

CBR: Constitutional Budget Reserve Fund
ERA: Permanent Fund Earnings Reserve Account
PFD: Permanent Fund Dividends
GF: Unrestricted State General Funds

COMMONWEALTH NORTH

Commonwealth North is a non-profit corporation, organized and existing under the laws of the State of Alaska. It addresses state and national public policy issues and involves approximately 400 of Alaska's leaders and concerned citizens representing business, labor, education, public service and the Alaska Native community. It was founded in 1979 on a bipartisan basis by Governor William A. Egan and Governor Walter J. Hickel.

The goals of the organization include: Strengthening the private sector of our economy; Understanding Alaska's role in the larger world; Educating members on major issues affecting our state and nation; Influencing state and national public policy decisions by providing a forum for nationally recognized speakers and conducting studies of critical issues facing the state and the nation.

COMMONWEALTH NORTH BOARD OF DIRECTORS

Founding Co-Chairmen
Governor Walter J. Hickel
the late Governor William A. Egan

President
Lee Gorsuch

Executive Director
Pat Pourchot

Skip Bilhartz, Vice President
Perry Eaton, Vice President
Jeff Lowenfels, Vice President
Jane Angvik, Secretary
Marc Langland, Treasurer
Jamie Linxwiler
Bill McHugh
Susan Ruddy

Bill Allen
Richard F. Barnes
Janna Brattain
Governor Steve Cowper
Karen Hunt
Loren Lounsbury
John Morgan
William J. Tobin

Robert B. Atwood
Judy Brady
Fuller Cowell
Robert Hatfield, Jr.
Archbishop Francis Hurley
Jim McElroy
Governor Bill Sheffield
Dr. F. Thomas Trotter

COMMONWEALTH NORTH BUDGET STUDY COMMITTEE

Chair: Lee Gorsuch
Robert B. Atwood
Roger Cremo
Karen Hunt
Bill McHugh
Susan Ruddy

Mike Abbott
Judy Brady
Gene Dusek
Marc Langland
Nancy McHugh
Larry Wiget

Jane Angvik
Milton Byrd
Joe Griffith
Jim McElroy
Kristen Nelson
Thomas A. Wilson II

COMMONWEALTH NORTH

935 West Third Avenue
Anchorage, Alaska 99501
(907) 276-1414

COMMONWEALTH NORTH BUDGET CONFERENCE

CLOSING THE GAP

October 20 - 21, 1993
Anchorage, Alaska

February 1994

Dear Conference participant and Commonwealth North member:

I am pleased to present this summary of the proceedings and conclusions of the Commonwealth North Budget Conference held in October, 1993. Over 125 members and guests participated in the Conference. The findings and conclusions are the product of five work groups involving nearly 60 citizens. I commend the work groups for their interest and time in seeking solutions to one of the most critical issues facing Alaska.

On behalf of Commonwealth North, I want to thank Governor Walter Hickel, former Governors Jay Hammond and Bill Sheffield, the state officials, state legislators and other presenters who shared their views and valuable information with us. We are also indebted to the facilitators, resource people and recorders who worked with each discussion group.

Recent court rulings and falling oil prices have further heightened our awareness of the seriousness of our budget problems. But, these short-term crises and their short-term fixes should not deflect our view from the fundamental long-term "budget gap" and the need for hard choices in the future.

I recommend this budget conference summary to you as a thoughtful set of considerations and recommendations on how Alaska could confront and manage the serious fiscal problems associated with long-term declines in oil production.

Sincerely,

Lee Gorsuch
President

935 West Third Avenue • Anchorage, Alaska 99501 • 907-276-1414 • FAX 907-276-6350

Introduction

Commonwealth North was founded with the goal of bringing together Alaska's business and civic leaders to learn about, discuss and make recommendations on major public policy issues facing our state. Perhaps no issue affecting the economic and social fabric of Alaska looms larger than the inexorable decline in production from the North Slope oil fields. Taxes and royalties from these fields account for nearly 85% of current revenues to state government.

It is clear that major public policy decisions must be made over the next 10 years to bridge "the gap" expected between current revenue sources and spending levels. UAA's Institute of Social and Economic Research (ISER) laid out five approaches to address this gap: 1) Budget reductions; 2) Use of reserves; 3) Implementatation of new taxes; 4) Use of Permanent Fund earnings; and 5) Increased economic development. Each and all of these involve tough fiscal, economic and political choices.

In November of 1992 Governor Hickel hosted an Economic Summit which brought together leaders from all over the state to review state revenue and spending projections, discuss the ISER fiscal tools and to make recommendations for future actions. Some things have changed since then, but the critical problem created by declining revenues still lies largely unaddressed.

This conference was designed to follow the format of the Governor's Economic Summit. Participants were asked to review and discuss the Summit recommendations, the ISER strategy and events following the Summit. Commonwealth North members and invited guests were asked to develop recommendations for actions needed over the next 10 years. It is believed that the views and recommendations of concerned citizens and civic leaders can influence our public policy makers and shape Alaska's future.

Proceedings

Over 125 members of Commonwealth North and invited guests participated in at least part of the two-day conference held October 20 and 21, 1993. Approximately 60 people participated in one of the five small discussion groups which formulated recommendations (see Appendix I for a list of group participants).

The conference began on October 20 with a two-hour budget and revenue briefing by Shelby Stastny, Director of the Office of Management and Budget, and Chuck Logsdon, Petroleum Economist for the Department of Revenue. A view of future revenues by Tom Williams of BP Exploration (Alaska) and legislative perspectives by Rep. Mark Hanley and Rep. Kay Brown were also presented.

The following morning, October 21, a breakfast briefing was held with Governors Hickel, Sheffield and Hammond who gave their experiences and views on needed budget actions. Following the Governors, the following presentations were made:

- Operating budget overview and reserves, Shelby Stastny, Director OMB
- Revenues and taxes, Darrel Rexwinkel, Commissioner Dept. of Revenue
- The Permanent Fund, Jim Kelly, Alaska Permanent Fund Corporation
- Economic development, Paul Fuhs, Commissioner Department of Commerce and Economic Development
- Defining the "gap" and putting the pieces together, Scott Goldsmith and Lee Gorsuch, UAA ISER

After the presentations people broke into five discussion groups. Members were preassigned groups in an effort to create diverse group memberships. Each group had 11-13 members including a facilitator, a recorder and at least one resource person having budget expertise.

The groups were to review the information presented by the speakers, the results of the Governor's Economic Summit and subsequent legislative actions. Each participant was given a notebook with written materials tracking the presentations on spending, revenues, taxation, the Permanent Fund, economic development and the ISER strategy. The groups had approximately four and one-half hours to discuss the issues and make recommendations as to actions needed to meet the projected budget "gap." Each group presented a summary of its recommendations to all the reassembled groups at the end of the day.

Appendices II and III illustrate the projected "gap" and major fiscal tools suggested in the ISER strategy. See Appendix IV for summaries and comparisons of the Governor's and other economic summits.

Budget Conference Summary

Areas of General Agreement

- **The "Gap."** All the working groups agreed that there was a fiscal "gap" now, that it was growing, that it will be substantial in the near future and that actions need to be taken now.

- All the groups felt that no single action was sufficient to meet the "gap", but that most, if not all, the fiscal tools identified in the ISER strategy must be implemented by 2005.

- **Spending.** Most groups recognized the real political and programmatic problems of further large budget cuts. However, various approaches were suggested to find efficiencies, re-prioritize and hold the line on future spending increases. Most assumed that savings in real dollars could accrue over time if programs were not allowed to increase with inflation and population growth. No specific programs were consistently targeted for cuts or reductions.

- **Reserves.** All groups recognized the need to use liquid reserves but felt that better mechanisms were needed to capture and husband reserves and non-recurring revenues for future use, rather than spending them as they become available.

- **Taxes.** All groups recommended new taxes for meeting the "gap", and all suggested the reimposition of the personal income tax as the preferred form. It was felt that the income tax was the most progressive (least impact on those with lowest income), could capture non-residents' income earned in Alaska, and was the best method for the state to pay for and benefit from economic developments.

- **Permanent Fund.** All groups recommended that the Permanent Fund principal and inflation-proofing monies not be used. No group recommended eliminating the dividend. However, a majority recommended that the dividends be capped, and that earnings beyond dividends and inflation-proofing be used for general government or deposited in the Permanent Fund to generate future earnings.

- **Economic Development.** Most groups felt that any new economic developments would be based largely on market conditions and economic decisions outside the control of the state. However, a stable tax policy and removal of regulatory hurdles by the state would be helpful. No group believed that large-scale economic development would result in revenues substantially reducing the budget "gap" by 2005.

Other Recommendations

- Two groups gave serious consideration to a proposal by Roger Cremo in which all reserves and natural resource revenues would be deposited in the Permanent Fund. A fixed percentage would be allocated from the Fund for expenditure each year to maintain a stable and predictable budget and economic climate. Permanent Fund dividends would be paid out of the same earnings stream in competition with all other spending. Additional non-resource revenues would be needed to meet expected expenditures.

  There remain questions on the mechanics of the proposal, particularly the method and length of the phase-in until the "pay-out" from the Fund would reach a constant percentage of the principal.

- Two mechanisms were suggested for helping reduce spending. The first was a "Gramm-Rudman" type of forced ratcheting down. The second was the creation of a new Commission similar to the Federal Base Closure Commission. The Commission budget recommendations would have to be accepted or rejected *in toto* by the Legislature or Administration.

Group 1
Summary of Conclusions/Recommendations

The Budget Gap

The "budget gap" is real and it will grow substantially over the next 10 years. A target "gap" of $2.3 billion was utilized by the year 2005.

Spending

An initial budget cut of $300 million or roughly 10% should be made. Then, the budget should be reduced annually by holding it constant or not letting it rise with inflation. Real dollar reductions of $900 million would be targeted for 2005.

Reserves

The group assumed reserves of $2-4 billion from litigation and tax settlements over the next 10 years, and that most would be needed to balance the budget. Approximately $300 million would be needed annually on average.

Taxes

"Like it or not" the group felt increased taxes were required in the next 10 years. Most of the estimated $500 million needed from new taxes would come from reimposition of an income tax. One advantage of such a tax would be the capturing of non-residents who utilize state resources and employment. Other taxes mentioned were increased fish taxes and a school tax.

Permanent Fund

The principal and inflation-proofing should not be spent or altered. However, monies from the Earnings Reserve Account and current dividends would be needed. By 2005, $200 million would be expended annually from the earnings reserve and $200 million from monies that would otherwise go to the dividends (currently about $530 million goes to dividends).

Economic Development

Revenues from new or increased economic development were not substantially relied upon to fill the "gap." New revenues of $20 million each year would result in $200 million in revenues in 2005.

Group 1

Facilitator:

Jane Angvik	Alaska Native Heritage Park

Participants:

Mike Abbott	Alyeska Pipeline Service Company
Bill Blessington	Port of Anchorage
Julius Brecht	Wohlforth, Argetsinger
Louann Cutler	Preston, Thorgrisom
Dick Green	Natural Garden Supply
Mark Holland	Exxon Company USA
Jim Maley	Alaska Children's Services
Joe Marks	Marenco/Anchorage School Board
Craig Renkert	UAA Small Business Development Center

Resource:

Scott Goldsmith	University of Alaska Anchorage/ISER

Recorder:

Alice Galvin	Anchorage Telephone Utility

Group 2

Summary of Conclusions/Recommendations

The Budget Gap

The "budget gap" is real and it will grow substantially over the next 10 years.

Spending

While no target numbers were used, it was generally felt that some type of "Gramm-Rudman" approach to the budget was necessary to force cuts and let the system "sort out" and look for efficiencies and priorities. A target of 1-2% real cuts annually was discussed. A review of programs is needed to institute needs-based standards, including student loans and pioneer homes. Institute a mechanism to reward efficiencies, especially in the school foundation program.

Reserves

No specific recommendations were made, although there was considerable interest in a proposal advocated by Roger Cremo wherein all reserves and natural resource revenues would be placed in the Permanent Fund. A fixed amount of earnings would be earmarked annually for expenditure.

Taxes

While most felt reimposition of an income tax would be needed in the next 10 years, there was considerable debate on the timing of enactment. A point of agreement was that the framework of an income tax should be established in the near future at a zero rate which could be increased later as needed. One advantage of such a tax would be the capturing of non-residents who utilize state resources and employment. Other taxes mentioned were increased taxes on fisheries and tourism.

Permanent Fund

No specifics were recommended, however, as mentioned above, there was considerable interest in the Cremo proposal. Under this plan the Permanent Fund dividend would be paid out of the same annual earnings allocation forcing competition with all other budget items.

Economic Development

There should be efforts to "Alaskanize" our industries such as fishing and tourism to increase employment and revenue opportunities. There appears little beyond a good business climate that will significantly alter decisions to develop new resources.

Group 2

Facilitator:

Tim Bradner	Alaska Economic Report Alaska Journal of Commerce

Participants:

Dick Decker	United We Stand
Gene Dusek	Municipality of Anchorage
Harold Heinze	
Joe Henri	Southcentral Timber/UA Regent
Carol Heyman	Anchorage Chamber of Commerce
Gary Light	ARCO, Alaska
David Roderick	
John Wheatley	Willis Coroon Corporation
Esther Wunnicke	

Resource:

Kay Brown	Alaska State Representative

Recorder:

Teeny Metcalfe

Group 3
Summary of Conclusions/Recommendations

The Budget Gap

The "budget gap" is real, is here now, is getting bigger and needs to be addressed.

Spending

There needs to be a new way of dealing with spending cuts to avoid political traps and to maintain a long-range view. It was recommended that a new Commission be established similar to the Federal Base Realignment and Closing Commission. This Commission would review all programs from a bottom-up, zero-base budgeting standpoint. It would look at alternative delivery systems. Recommendations would have to be accepted or rejected *in toto* by the Legislature and the Administration. If rejected, the recommendations would go to the voters.

Reserves

All reserves should be deposited in the Permanent Fund pursuant to a plan similar to that proposed by Roger Cremo. They would then be part of the principal from which earnings would then be allocated annually for the expenses of government.

Taxes

The income tax should be reimposed immediately and proceeds placed in the Permanent Fund. Earnings would then be used under a "Cremo-type" plan. A severance tax on our fisheries should be investigated.

Permanent Fund

No use of the principal or inflation-proofing except as transition funding. In accord with the "Cremo-type plan" dividends would be paid out of the annual earnings allocation along with all other budget items.

Economic Development

Large block economic leasing should be undertaken. Actions taken for development must be related to market-driven programs. An in-depth review of the existing regulatory environment should identify regulations inhibiting economic development. Ensure a stable tax policy to foster a stable business environment.

Other Recommendations

A plan similar to that advocated by Roger Cremo should be adopted. Under this plan all reserves and all natural resource revenues would be deposited in the Permanent Fund. Each year a certain percentage of the Fund would be allocated for budget expenditures, including the dividend program. The Fund would build to have a constant earnings stream to fund most functions of government, perhaps in conjunction with non-natural resource revenues. The goal is to "smooth" annual revenues and expenditures fostering a more predictable and stable economy.

There should be term limits for the Governor and legislators. But, longer lengths of terms are needed to ensure expertise and a longer-view. One six-year term for Governor is recommended. House terms should be extended from two to three years. Senate terms would remain at four years. Service would be limited to two consecutive terms in each body.

Group 3

Facilitator:

Joe Griffith	Chugach Electric Association, Inc.

Participants:

Jerry Anderson	Municipality of Anchorage
Milton Byrd	Charter College
C. Joe DiMatteo	Alaska Council for the Prevention of Drug and Alcohol Abuse
Walt Furnace	Alaska Support Alliance
Norman Levesque	Alaska Municipal Bond Bank Authority
Loren Lounsbury	International Management Group
Sharon Macklin	Sharon Macklin - Government Relations
Sayoko Mimoto	Anchorage School District
Tom Williams	BP Exploration (Alaska)

Resource:

Cheryl Frasca	Office of Management and Budget

Recorders:

Tom Wilson	Hughes, Thorness *et.al.*
Cindy Pieper	Commonwealth North

Group 4

Summary of Conclusions/Recommendations

The Budget Gap

The "budget gap" is real, it is big and getting bigger.

Spending

There was a recognition that the need and demand for state services and programs were growing, and that some spending increase was inevitable with inflation and population growth over time. When looking for cuts, look where most of the money is going—education, social services, corrections. Growth in spending should be controlled through re-prioritization of resources, less-costly preventative strategies, looking at life cycle costs of capital expenditures and requiring local matches and personal contributions to programs.

Reserves

We need to get reserves off the table to allocate them more judiciously. Half of all liquid reserves and future settlements should go into the Permanent Fund. The other half should be placed in the Constitutional Budget Reserve, but the rules changed to require access only by 2/3 vote (rather than current 3/4, or 51% escape clause).

Taxes

The income tax should be reimposed as preferable to other kinds of taxes. Income taxes have the advantage of capturing non-residents who benefit from Alaskan employment, resources and services. Increased taxation on our fisheries is justified.

Permanent Fund

Instituting an income tax and capping the Permanent Fund dividend are not mutually exclusive. It was recommended that the PFD be capped at $500 and that the balance of dividend monies be deposited in the Permanent Fund. Extra earnings would yield approximately $500 million to the General Fund in 2005.

Economic Development

Stable taxation is critical to economic development. New development must pay its own way. The method of paying for added government services needs to be identified and planned for up-front of any developments. An income tax seems a preferable "capture" mechanism.

Group 4

Facilitator:

Clay McDowell	Anch. Assembly Policy and Budget Office

Participants:

Bruce Carr	Alaska Railroad Corporation
Jo Fenety	Senator Drue Pearce's Office
Prent Gazaway	Gazaway and Associates
Alicia Iden	
Ken Reither	Exxon Company USA
Steven Shropshire	Northern Forum/Green Connection, Inc.
Kym Swift	Common Sense for Alaska

Resource:

Jim Kelly	Alaska Permanent Fund Corporation
Mark Hanley	Alaska State Representative

Recorder:

Nancy Schoephoester	ARCO Alaska, Inc.

Group 5
Summary of Conclusions/Recommendations

The Budget Gap

The "budget gap" is real, it is getting bigger but it is unpredictable year to year because of wide revenue swings due to settlements, etc.

Spending

There was a recognition that much of the state budget was composed of programs like education having ever-growing pressures, and that large cuts were not practical. However, "rationalization" of the budget and gaining efficiencies over time was needed and possible. Needs-basing of programs was desirable. A target of 0% real dollar increase in the budget should be established over the next 10 years resulting in $300 million in real savings by 2005 from the ISER figures.

Reserves

We need to allocate reserves more judiciously. There needs to be a better mechanism for capturing and retaining settlements and extraordinary monies as they come in to avoid the temptation of spending them all in a single year. It was recommended that reserve spending be "smoothed" to approximately $200 million annually to help meet the "gap."

Taxes

It was felt that approximately $500 million would be needed in new taxes by 2005. Of this, most would come from a personal income tax. Other taxes could include increased user fees, fishery taxes, and motor fuel taxes (dedicated). Sales taxes were best left to the province of local governments. It was felt an income tax had the advantage of capturing non-residents working in the state and that it was the best method of capturing and paying for new development of our non-oil resources.

Permanent Fund

The dividend program should be capped at current total spending levels. Excess monies in future years should be deposited in a specially enacted Dividend Reserve Fund in the Permanent Fund. Access would be possible, though difficult. Unlike the corpus of the Fund these monies would be accessible when needed, but would be invested along with other Permanent Fund monies. Unlike the current Constitutional Budget Reserve, access would not provide the current "loophole" (a majority vote of the Legislature when less revenues than in prior year).

Economic Development

The state can help somewhat on economic development through removal of regulatory hurdles and funding through agencies such as AIDEA, but most economic development decisions are outside the control of state. The group assumed that the beginning of a gasline and some additional marginal oil field developments would result in $350 million in increased revenues by 2005 over DOR projections.

Other Recommendations

The group felt that strategies to meet the "gap" were as much a political problem as an economic or financial one. It was felt considerable leadership and education within our community as well as the Legislature and the Administration was needed to avert short-term crises in the future.

Group 5

Facilitator:

Larry Wiget	Anchorage School District

Participants:

Don Argetsinger	Argetsinger and Associates
Larry Crawford	Municipality of Anchorage
Gordon Glaser	ASEA
Jim McElroy	Locher Interests
Nancy McHugh	
Kristen Nelson	Petroleum Information Services
Pat Pourchot	Commonwealth North
Scott Thorson	Network Business Systems

Resource:

Mike Greany	Legislative Finance Division

Recorder:

Sudy Sanders

APPENDIX I

Participants

Abbott, Mike	Alyeska Pipeline Service Company
Anderson, Jerry	Municipality of Anchorage
Argetsinger, Don	Argetsinger & Associates
Blessington, Bill	Port of Anchorage
Brecht, Julius	Wohlforth, Argetsinger, *et al*
Byrd, Milton	Charter College
Carr, Bruce	Alaska Railroad Corporation
Crawford, Larry	Municipality of Anchorage
Cutler, Louann	Preston, Thorgrimson, Shidler *et al*
Decker, Dick	United We Stand, Inc.
DiMatteo, C. Joe	AK Council on Prevention of Alcohol & Drug Abuse
Dusek, Gene	Municipality of Anchorage
Fenety, Jo	Office of Senator Drue Pearce
Furnace, Walt	Alaska Support Industry Alliance
Gazaway, Prent	Older Persons Action Group
Glaser, Gordon	ASEA/AFSCME Local 52
Green, Dick	Natural Garden Supply
Heinze, Harold	
Henri, Joe	Southcentral Timber Devlpmt/UA Board of Regents
Heyman, Carol	Anchorage Chamber of Commerce
Holland, Mark	Exxon Company USA
Iden, Alicia	
Light, Gary	ARCO Alaska, Inc.
Levesque, Norman	AK Municipal Bond Bank Authority
Lounsbury, Loren	International Management Group
Macklin, Sharon	Sharon Macklin - Government Relations
Maley, Jim	Alaska Children's Services, Inc.
Marks, Joe	Marenco, Inc./Anchorage School Board
McElroy, Jim	Locher Interests
McHugh, Nancy	
Mimoto, Sayoko	Anchorage School District
Nelson, Kristen	Petroleum Information Services
Reither, Ken	Exxon Company USA
Renkert, Craig	UAA Small Business Development Center
Roderick, David	
Shrophshire, Steve	Northern Forum/Green Connection, Inc.
Swift, Kym	Common Sense for Alaska
Thorson, Scott	Network Business Systems
Wheatley, John	Willis Coroon Corportation of Anchorage
Williams, Tom	BP Exploration (Alaska)
Wunnicke, Esther	

Facilitators

Angvik, Jane	Manager, Alaska Native Heritage Park
Bradner, Tim	Editor, Alaska Economic Report
Griffith, Joe	Exec. Mgr. Finance, Chugach Electric Company
McDowell, Clay	Director, Anch. Assembly Policy and Budget Office
Wiget, Larry	Director, Gov't Affairs/Anchorage School District

Recorders

Galvin, Alice	Anchorage Telephone Utility
Metcalfe, Teeny	
Pieper, Cindy	Commonwealth North
Sanders, Sudy	
Schoepoester, Nancy	ARCO Alaska, Inc.
Wilson, Tom	Hughes, Thorsness *et al*

Resource

Brown, Kay	Alaska State Representative
Goldsmith, Scott	Professor, University of Alaska Anchorage/ISER
Gorsuch, Lee	Dean, School of Public Affairs, University of Alaska Anchorage
Greany, Mike	Director, Legislative Finance Division
Hanley, Mark	Alaska State Representative
Kelly, Jim	Research and Liason Officer, AK Permanent Fund
Frasca, Cheryl	Deputy Director, Office of Management and Budget

Coordinator

Pourchot, Pat	Executive Director, Commonwealth North

Presenters

Rep. Kay Brown	Alaska State Legislature, House of Representatives
Paul Fuhs	Commissioner, Department of Commerce and Economic Development
Scott Goldsmith	Professor, University of Alaska Anchorage, ISER
Lee Gorsuch	Dean, School of Public Affairs, University of Alaska Anchorage
Governor Jay Hammond	Governor of Alaska (1974 to 1982)
Rep. Mark Hanley	Alaska State Legislature, House of Representatives
Governor Walter J. Hickel	Governor of Alaska (1968 to 1970, 1990 to present)
Jim Kelly	Research and Liason Officer, Alaska Permanent Fund Corp.
Dr. Chuck Logsdon	Chief Petroleum Economist, Dept. of Revenue
Darrel Rexwinkel	Commissioner, Department of Revenue
Governor Bill Sheffield	Governor of Alaska (1982 to 1986)
Shelby Stastny	Director, Office of Management and Budget

OMB 10/93, Updated 2/94

Fiscal Outlook: FY 94 - 99

	FY94	FY95	FY96	FY97	FY98	FY99
Oil Price $/bbl.	13.25	15.04	18.74	19.85	20.42	21.00
Production MMbl/day	1.645	1.682	1.644	1.513	1.387	1.278
REVENUES:						
Unrestricted General Fund Forecast*	1,771.0	1,820.0	2,051.1	1,993.3	1,902.5	1,760.0
Other UGF Revenues	200.0	80.0	125.0	125.0	125.0	125.0
TOTAL UGF REVENUES	1,971.2	1,900.0	2,176.1	2,118.3	2,027.5	1,885.0
EXPENDITURES:						
Operating	2,384.0	2,363.0	2,417.3	2,486.2	2,557.0	2,629.9
Capital	616.0	100.0	300.0	300.0	300.0	300.0
Loans & Transfers	180.0	37.0	37.0	37.0	37.0	37.0
TOTAL EXPENDITURES	3,180.0	2,500.0	2,754.3	2,823.2	2,894.0	2,996.9
ANNUAL DEFICIT	**-1208.8**	**-600.0**	**-578.2**	**-704.9**	**-866.5**	**-1,081.9**
					TOTAL	**-4,692.4**

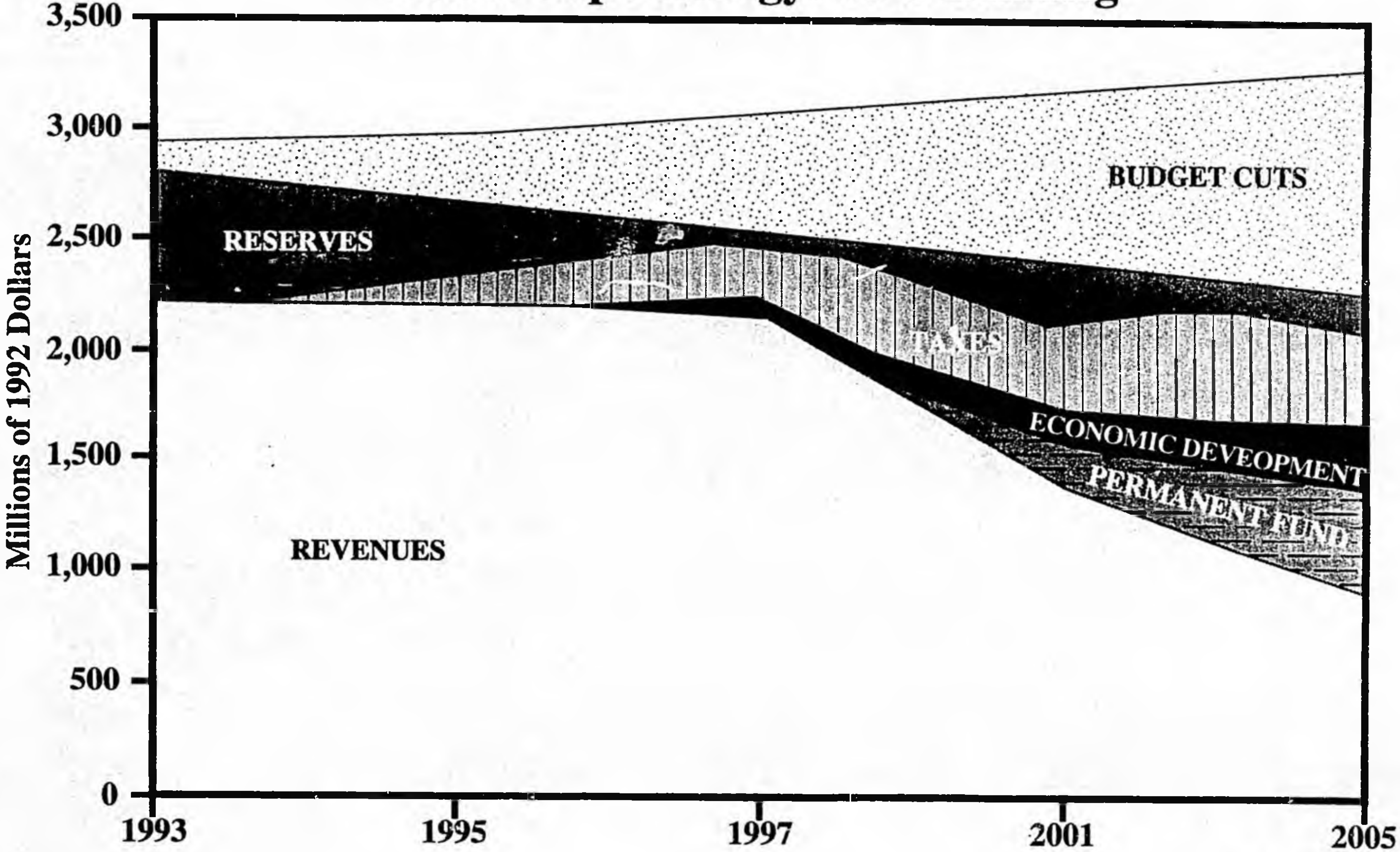
*Does not include settlement or reserve monies

NOTE: This table is for illustrative purposes only and does not reflect Administration policy or decisions

APPENDIX II

APPENDIX III

Fiscal Gap Strategy: Safe Landing



ISER 11/92

ISER 11/92

Closing The Gap – Safe Landing Strategy

(Millions of 1992 Dollars)

	1993	1994	1997	2001	2005
Maintenance Level GF Spending	$2,921	$2,950	$3,040	$3,163	$3,291
Less: Revenues from Existing Sources	$2,270	$2,245	$2,232	$1,467	$982
Equals: Fiscal Gap	$651	$705	$808	$1,696	$2,309
New Use of Resources:					
Budget Cuts	$100	$200	$525	$875	$1,100
Taxes	$0	$110	$235	$340	$350
Use of Permanent Fund	$0	$0	$0	$150	$440
Economic Development	$0	$0	$45	$120	$260
Reserves & Assets	$550	$395	$0	$210	$159
Resources Used	$2,920	$2,950	$3,037	$3,162	$3,291
Shortfall	$1	$0	$3	$1	$0

Budget Cuts – Gradually reduce state spending to hit a sustainable spending target of about $2.1 billion. This necessitates a reduction of some and elimination of other state services to a level more closely resembling other states.

Taxes – Phase in taxes on income, property, and resources at national average rates. Reserve the sales tax for local government.

Permanent Fund – Gradually reduce the Dividend program and reinvest all available earnings, including inflation proofing and the earnings reserves to maximize its long-term real income generation capacity. The future earning stream will be able to pay for at least 25% of the cost of government.

Economic Development – Assume gradual and moderate non-petroleum resource development and new petroleum-related developments after 2000, which may be the construction of a gasline and/or a development in ANWR. The state can influence economic development but has less control here than in the use of the other tools. Therefore, while pursuing economic development, the state should simultaneously be bringing spending in line with a sustainable target.

Transition Funds – Use reserves and some assets to avoid the shock of large budget cuts and/or new taxes happening all at once. Keep a fund to act as a shock absorber in the event of a drop in oil prices.

SUMMARIES OF BUDGET CONFERENCES

Governor's Economic Summit	November 29 - December 1, 1992
Common Ground Fiscal Policy Conference	March 13-14, 1993
Alaska Credit Union League	March 19 and 20, 1993
Kenai Regional Economic Summit	April 25-27, 1993
Commonwealth North Budget Conference	October 20 and 21, 1993

THE "GAP"

Governor's Summit. All groups concurred that there is a significant "gap", and that all the ISER identified fiscal actions will be needed.

Common Ground. All the groups recognized a significant budget "gap" and employed all or most of the ISER actions to meet revenue shortfalls.

Alaska Credit Union League. General agreement that a substantial fiscal "gap" exists and that most or all the ISER actions will be needed in the near future.

Kenai Regional. All groups recognized the existence of a sizeable "gap" and most used all the ISER actions to address it.

Commonwealth North. All the working groups agreed that there was a fiscal "gap" now, that it was growing, that it will be substantial in the near future and that actions need to be taken now. All the groups felt that most, if not all, the actions identified in the ISER budget report must be implemented by 2005.

SPENDING

Governor's Summit. All identified state budget reductions as the first priority for action. Several "unique" programs were consistently identified for cuts or elimination including the longevity bonus program, power cost equalization and pioneer homes.

Common Ground. Sensible spending cuts should be made with particular emphasis on Alaska's unique programs. Some programs should be made self-sufficient like the seafood marketing program.

Alaska Credit Union League. General agreement to reduce spending through phasing out or elimination of "unique" programs, formula funding containment, services based on need and freezing of state salaries and benefits to bring to the level of private sector.

Kenai Regional. Most groups suggested substantial budget cuts and use of caps or ceilings for annual spending. The longevity bonus program was consistently targeted for cuts or elimination.

Commonwealth North. Most groups recognized the real political and programmatic problems of further large budget cuts. However, various approaches were suggested to find efficiencies, re-prioritize and hold the line on future spending increases. Most assumed that savings in real dollars could accrue over time if programs were not allowed to increase with inflation and population growth. No specific programs were consistently targeted for cuts or reductions.

RESERVES

Governor's Summit. Most groups proposed the spending of reserves to help smooth the volatility of future revenues. Some suggested depositing reserves in the Permanent Fund, some would consolidate all reserves in a single account with earnings going to the general fund.

Common Ground. Some or all reserves (including future windfalls) should be deposited in either the Permanent Fund or the Constitutional Budget Reserve Fund to bolster future earnings. Some groups would utilize a portion of the reserves directly as transitional funds for general government.

Alaska Credit Union League. Recognition that reserves have to be used as last-resort transition funds. One suggestion was to deposit reserves in Permanent Fund and earnings used for general government.

Kenai Regional. Half the groups would deposit some or all of the reserves in the Permanent Fund while half would utilize as transition funds.

Commonwealth North. All groups recognized the need to use liquid reserves but felt that better mechanisms were needed to capture and husband reserves and non-recurring revenues for future use, rather than spending them as they become available.

TAXES

Governor's Summit. Most groups recommended reimposition of the personal income tax. Most of the groups supported increased motor fuel and "sin" taxes.

Common Ground. General agreement on reimposition of personal income tax. Considerable support for increased motor fuels, "sin", "tourism" and fisheries taxes. Some recommended "school" or payroll tax.

Alaska Credit Union League. General recognition that new taxes will be needed including: personal income, "sin" taxes, taxes on other natural resources and payroll taxes. Taxes which captured non-resident wages were favored.

Kenai Regional. All groups supported reimposition of the personal income tax. Most favored an increase in motor fuel taxes. None favored a state sales tax.

Commonwealth North. All groups recommended new taxes for meeting the "gap", and all suggested the reimposition of the personal income tax as the preferred form. It was felt that the income tax was the most progressive (least impact on those with lowest income), could capture non-residents' income earned in Alaska, and was the best method for the state to pay for and benefit from new economic developments.

PERMANENT FUND

Governor's Summit. All groups opposed use of the principal of the Permanent Fund. Most favored capping dividends for use either for state operations or to reinvest excess earnings in the Permanent Fund principal to increase future earnings.

Common Ground. No use of the principal of the PF or any change to full inflation-proofing. Most groups recommended capping the dividends for either deposit to the Permanent Fund principal or for general fund use.

Alaska Credit Union League. Earnings of the PF, including funds now going to PFDs, will be needed to bridge the "gap."

Kenai Regional. Most groups recommended some plan to use Permanent Fund earnings to support state government. Most supported capping the Dividend and putting saved earnings back into the principal of the Fund.

Commonwealth North. All groups recommended that the Permanent Fund principal and inflation-proofing monies not be used. No group recommended eliminating the dividend. However, a majority recommended that the dividends be capped, and that earnings beyond dividends and inflation-proofing be used for general government or deposited in the Permanent Fund to generate future earnings.

COMMONWEALTH NORTH

ECONOMIC DEVELOPMENT

Governor's Summit. While all expressed the importance of future economic development, many expressed concern not to rely too heavily on speculative projects for future revenues, and that developments produce net revenues to the state above costs. Most supported the development of ANWR, construction of a gasline and lifting the export ban on Alaskan oil. Most identified the need to settle the mental health lands issue. Half the groups recommended streamlining the state's regulatory and permitting systems.

Common Ground. Most groups assumed that either oil declines would not be as precipitous as projected, or that there would be additional small fields developed. Most also assumed revenues from construction of a gasline after the year 2000.

Alaska Credit Union League. Strong emphasis was placed on economic development. Governmental impediments in regulation and permitting should be removed, and incentives, including tax breaks, subsidies and infrastructure development, employed.

Kenai Regional. Most groups relied on revenues from the completion of a gas pipeline after 2001. Several groups supported aggressive marketing of our natural resources, settlement of the mental health lands issue and repeal of the export ban on Alaskan oil.

Commonwealth North. Most groups felt that any new economic developments would be based largely on market conditions and economic decisions outside the control of the state. However, a stable tax policy and removal of regulatory hurdles by the state would be helpful. No group believed that large-scale economic development would result in revenues substantially reducing the budget "gap" by 2005.

COMMONWEALTH NORTH

Commonwealth North is a non-profit corporation, organized and existing under the laws of the State of Alaska. It addresses state and national public policy issues and involves approximately 400 of Alaska's leaders and concerned citizens representing business, labor, education, public service and the Alaska Native community. It was founded in 1979 on a bipartisan basis by Governor William A. Egan and Governor Walter J. Hickel.

The goals of the organization include: Strengthening the private sector of our economy; Understanding Alaska's role in the larger world; Educating members on major issues affecting our state and nation; Influencing state and national public policy decisions by providing a forum for nationally recognized speakers and conducting studies of critical issues facing the state and the nation.

A report by
Commonwealth North
935 West Third Avenue
Anchorage, Alaska 99501
(907) 276-1414

COMMONWEALTH NORTH

MEMORANDUM

To: CWN Budget Conference Participants

From: Pat Pourchot, Executive Director Pat

Date: March 14, 1994

Subject: CWN Budget Reports

Thank you again for your interest and participation in CWN's Budget Conference and subsequent study of the state's fiscal "gap." Enclosed for your information are two reports summarizing the conclusions of this study effort.

The first report is a summary of the proceedings and conclusions of last October's Budget Conference. The second report are budget recommendations developed by the CWN Board of Directors and a CWN Budget Study Committee.

These reports were presented to the membership today at our March forum and have been distributed to the press. On March 25, a delegation from the Board will be traveling to Juneau to present the recommendations to legislators and the Administration.

Again, we appreciate your interest and involvement and look forward to your views and participation in the future.

Bill Miles 465-3872
Sen. Pearce

Anchorage • *Star of the North*
Chamber of Commerce

March 21, 1994

Dear Members of Senate Finance Committee:

Enclosed please find a letter drafted to each member of the legislature, and a tabulated sheet showing the results of the Anchorage Chamber of Commerce survey of its membership on spending cuts.

This is by far the largest response to any single survey that the chamber has conducted, which is also stated in the following cover letter.

I merely wanted to include the list of results in your packet for the meeting scheduled Friday, March 25, 1994 at 9:00 a.m. when you will be talking about the results of the study conducted by Commonwealth North.

If there are any questions I can answer, please call either myself at 272-2401, or George Wuerch, chairman of the board, at 265-8970.

We appreciate the opportunity, and thank you in advance for your time.

Sincerely,

Joy T. Anderson

This information was also released to the Governor's office, all legislators, the Chamber's membership, and the media.

441 West 5th Avenue, Suite 300, Anchorage, Alaska 99501-2309 (907) 272-2401 FAX (907) 272-4117
Founded 1915

Anchorage • Star of the North
Chamber of Commerce

March 14, 1994

Dear Governor Hickel & Alaska Legislators:

The chamber's board of directors has received a number of specific proposals to cut the state operating budget. Many of these are from an analysis of "non-traditional" state programs identified by the Office of Management and Budget in the Governor's Office; some are from different sources.

Attached are results of the recent questionnaire on operating budget cuts sent to all of our members. We are gratified at the response, a record for our membership.

It has been pointed out that some of the estimated budget figures given in the questionnaire may not be correct. The Legislative Committee researched the information provided to the best of its ability and available time. Budgets and their related numbers can be a matter of interpretation and subject to frequent change.

The overwhelming sentiment expressed by returns to this questionnaire is that chamber members are aware that there is a problem. Chamber members have shown through their responses that they are willing and prepared to take a wide variety of cuts in many areas as long as there is a comprehensive plan in place for the economic stability of Alaska's future. We hope that you will find this information useful to focus on solutions

Sincerely,

George Wuerch
Chairman 1993-94

441 West 5th Avenue, Suite 300, Anchorage, Alaska 99501-2309 (907) 272-2401 FAX (907) 272-4117
Founded 1915

213 Responses

The Chamber's Board of Directors has received a number of specific proposals to cut the state operating budget. Many of these are drawn from an analysis of "non-traditional" state programs identified by the Office of Budget and Management in the Governor's Office; some are from different sources. Before acting on any of these proposals, the Board of Directors wants to know your views about where spending should be cut. The list has been restricted to the operating budget. Dollar amounts, and cost savings are estimated.

Questions	For	Against	No Opinion
1. Eliminate Longevity Bonus ($73.7 million savings FY95 operating budget).	129	52	17
2. Qualify Pioneer Homes for Medicaid and contract out operations ($15.5 million FY95 savings from the operating budget).	153	9	13
3. Eliminate Division of Tourism and Tourism Marketing Council ($7.6 million from the FY95 operating budget).	74	108	18
4. Stop State subsidy of Public Radio and Television in Anchorage, Fairbanks and Juneau ($2.3 million from the FY95 operating budget).	115	72	10
5. Eliminate television broadcasting to rural areas over RATNet ($1.3 million from the FY95 operating budget)	90	95	16
6. Contract out operations of State Prisons (10% percent savings would be a $7.7 million savings to the FY95 operating budget).	175	19	10
7. Contract out operations and maintenance of State Information/Telecommunications Services (10% savings would eliminate $4.6 million from the FY95 operating budget).	196	2	10
8. DOTPF will privatize road/highway and airport operations and maintenance. Examine all other operations of DOTPF for possible privatization (eliminates at least $6.3 million form FY95 operating budget).	162	18	17
9. Eliminate state subsidy of Alaska Seafood Marketing Institute ($11.7 million from the FY95 operating budget).	133	40	27
10. Eliminate State support of School for Fisheries and Ocean Science. (5.9 million in savings to FY95 operating).	95	67	37
11. Commercial Fisheries and Agriculture Bank will buy back stock from State and will receive no more state assistance. (Positive infusion of $30 million in "unrestricted" money for the General Fund in that fiscal year.)	155	8	34
12. Close "Satellite" Community Colleges in Homer, Kenai, Mat-Su, Prince William Sound, Bristol Bay, Chukchi, Interior, Kuskokwim, Northwest, Rural, Ketchikan and Sitka. ($26.2 million savings to FY95 operating budget).	90	88	22
13. Close Schools with fewer than eight students.	165	18	13
14. End State subsidy and have Mt. Edgecumbe Boarding School become a private school ($2.3 million savings from the FY95 operating budget).	133	32	29
15. Cap School Formula Grant Programs at FY94 levels ($5.0 million savings from FY95 operating budget).	126	35	33
16. Consolidation of School Districts from 54 to 12.	139	15	42
17. Eliminate current system of merit increases in state employee pay replace with temporary 3% increase or lump-sum payment ($17.4 million savings in FY96 operating budget).	154	16	24
18. Consistent labor agreements among all 11 collective bargaining units.	159	11	24
19. Implement 40-hour work-week for State Employees eliminating as many employee positions as is possible due to the increase from 37.5 hours.	188	6	5
20. Repeal of State's "Little Davis-Bacon Act." (If there is a 1% savings of the capital budget it would make nearly $2 million of the Governor's FY95 capital budget available to pay for the FY95 operating budget).	146	9	49
21. Dissolve Science and Technology Fund and transfer principal to the principal of the Permanent Fund (if the Permanent Fund earns only 5% on its investments, this would make over $5 million of additional Permanent Fund earnings potentially available to pay for government services in FY95 and each year thereafter).	110	66	29
22. Social Welfare-Alaska should adopt the Wisconsin "work or leave" approach to state social welfare programs, in which those on welfare who can work don't lose their benefits.	189	5	4
23. Make Overseas Trade Offices show a quantifiable return each year or close (3 offices are $1.5 in the FY95 operating budget).	161	15	19
24. Consolidate State Air Travel to a single carrier on a competitive bid basis (at least $1 million from FY95 operating budget).	132	38	19
25. Credit Frequent Flyer Mileage Awards to State instead of employee.	160	27	8

26. Close Legislative Information Offices statewide except Juneau while Legislature is not in session ($1 million from FY95 operating budget).	116	60	18