

SCOMM

101:26

August 23, 1995

State of Alaska
Long-Range Fin. Plan. Comm.
716 W. 4th Ave.
Anchorage, AK 99501

Having read the invitation to comment on the issues regarding the budget problem in the "Voice of The Times" this morning, I would like to offer the following:

1. As far as I know, Alaska is the only state in the union that pays its residents to live there.
2. Paying people for doing nothing encourages them to do more of nothing.
3. Creation of the dividend distribution has made people feel entitled to, and dependent on the money.
4. Immediately upon distribution, the federal income tax liability extracts a significant amount of the distribution from the state economy.
5. With the inevitable demise of the airline programs that multiply the value of the distributions, the dividends will lose a significant amount of their value to those who have purchased tickets with them in the past.
6. It is arguably foolish to distribute money in the form of dividends, and then collect it in the form of income taxes--creating two bureaucracy to eat up the state's limited resources.
7. If people leave the state of Alaska because the dividend is eliminated, it will help to reduce the cost of state government.
8. If people are here only because of the dividend, maybe they should leave, anyway.
9. Politicians created the problem; they should now be willing to suffer the consequences of correcting the problem.
10. Did the Alaska permanent fund dividend help to entice the giant retailers to the state, helping

to destroy some of the small, independent merchants? (Bankruptcies in Alaska up 144% May, 1995 from May, 1994).

11. Have individuals and families used permanent fund income to obtain long term financing, and now must face the real possibility of that income either disappearing or shrinking drastically?
12. It would be a hardship for many families to lose the entire pfd at one time, so why don't we begin to wean ourselves of it now, and quit counting on it in planning our future budgets?
13. A politician gets elected by promising the people what they want to hear. A statesman does what is prudent and responsible, and lets the chips fall where they may.
14. Should the State of Alaska, with projected deficits ranging from \$513 million to \$1.3 billion be giving away money???

I realize that recommending elimination of the pfd will not be popular with the voters in the short run, and will not resolve the deficit completely. It seems to me, however, that it is the only rational place to start.

Good luck!

Sincerely,



Richard E. Barrett
100 Bunnell, #3A
Anchorage, AK 99508

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 West 11th Street, Juneau, Alaska 99801-1510 • Tel. (907) 586-1083 • Fax (907) 586-2995

Advocates for Alaska's Youth

August 3, 1995

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Dear Bob:

I've collected some thoughts since our discussion on the activities of the Long Range Fiscal Planning Commission. I'd like to share some information with you.

It is estimated that education and education-related funding (including school construction and postsecondary education costs) account for close to \$1 billion of Alaska's \$2.4 billion state operating budget. For many Alaska communities, the school district is the largest employer. Therefore, any reduction of the cost of state government inevitably will affect the state's current commitment to education.

Education is labor-intensive. Roughly 80-85% of school district funds are expended on school employee salaries and benefits. It should be reasonable to assume that cuts in education funding would dictate cuts in personnel costs, but salaries, benefits and certain working conditions are negotiated under a plethora of state laws and regulations which severely limit boards' ability to effect economies in this area. In 1992 noted education authority William Banach told a group of Alaska school board members that, in reality, only 3% or 4% of the budget is discretionary. The rest is locked up in contractual obligations and state/federal mandates.

For nearly a decade the Association of Alaska School Boards, anticipating declining revenues, has called for regulatory and legislative relief which would allow cost containment while preserving the quality of education. Last year HB 217, an education improvement bill designed to accomplish that, passed the Alaska Legislature but was vetoed by Gov. Knowles. Since then, the governor has indicated his willingness to work on a similar measure.

Today, Alaska's school boards cannot layoff teachers when revenues decline. Current tenure laws virtually guarantee lifetime employment to teachers regardless of performance in the classroom or financial constraints. School budgets are driven by the negotiations process and state law, as much or more than by student needs. Legislative remedies similar to HB 217, and others, are essential if the education community is to do its part to help bridge the fiscal gap without substantially diminishing the quality of Alaska's educational system.

We need to examine strategies at the state and local level that will identify 1) the elimination of programs we can't afford to provide, 2) cost containment measures that will make the programs we must continue more economically feasible, and 3) new sources of revenue generation. As the state considers its responsibility to education and the possibility of passing more of that responsibility to the local level, there needs to be some serious discussion regarding local fiscal autonomy.

The state level discussion of economic development is a long range solution and does not address the immediate problem—the fiscal gap. We need to address taxes as a means of revenue generation that will address both short term and long term problems, with an eye to utilizing that revenue appropriately, not simply for the preservation of state government as we know it now.

Enclosed are a number of AASB publications and articles I think you will find interesting.

- **Press release for Annual Teacher Salary & Benefits Report '95, AASB, Report summary page, and Salary Information page. (Entire report enclosed)**

Although school boards are trying to hold the line on expenditures, employee unions push for raises that address the rising cost of living or better. Salary increases have averaged 5% per year statewide. Keep in mind that as the student population has increased, the number of teachers has increased, adding to overall costs.

Although AASB reports the *average* teacher salary, this can be misleading. It appears somewhat stagnant due to retirement incentive programs (RIP's) which retire high end teachers and replaces them with less experienced, less expensive educators, but, again, the growing number of teachers have added to the overall personnel costs in salary and benefits.

- **Press release for Administrator Salary & Benefits Report '95, AASB, Report summary page. (Entire report enclosed)**

This information shows a decrease in the 1995 average superintendent salary. The press release also mentions a reduced number of administrators. This reflects an ongoing attempt by boards to reduce operating costs.

- **Classified Salary & Benefits Report '95, AASB**

This category of employees have generally been the primary target of cuts in terms of numbers. However, they are becoming increasingly more unionized which further reduces school boards' ability to contain costs in this area.

- **Labor Relations Update, May 1995, AASB**

This insert appeared in the May issue of the monthly AASB newsletter *Commentary*. It gives a description of our position on HB 217, and outlines our concern with (1) improving the quality of instruction (2) our attempt to hold costs in line with revenues and (3) fairness to employees.

- **"In tenure debate, what about kids' security?" Guest editorial by Carl Rose, AASB Anchorage Times, Juneau Empire, Fairbanks Daily News-Miner, Ketchikan Daily News**

This article is an example of how public perception affects education. It was written in response to media coverage generally condemning tenure reform without having a grasp of the issues involved. It is an example of what school boards, as elected officials who are accountable to the public at election time, face when seeking change within the education establishment.

I am currently involved in a series of discussions with our Board of Directors on issues surrounding the state's fiscal gap in order to formulate recommendations for the Commission to consider.

It was good talking with you. I look forward to more of the same.

Sincerely,



Carl Rose,
Executive Director

Enclosures
in Commission
Office.

Ray M. Christensen
P.O. Box 141814
Anchorage, Alaska
99514-1814



Myers Hall

State of Alaska
L.R.F.P. Commission
716 W. 4th Avenue
Anchorage, Alaska
99501

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8-23-95 - Jim at Hialeah
We got a long fire before the
fireman brought us massive
rolling, rolling, rolling, rolling
and strong, strong, strong and an
unrelenting invasion from
the States and at least 60
foreign desperadoes.

Fixed gap? - Double
the wellhead tax to be in line
with ^{other} tax structures. But
the welfare hands are in
hurry so that all the incoming
revenue will go back to
the state. The budget is not
Double oil tax. But welfare
is off in line.

Ray M. Christensen