

Budget cuts may cost more than they save

by Jeff Richardson
Tundra Times staff

Editor's note: In our November 3 issue, we described how cuts to the state operating budget are affecting rural areas and Native organizations. In the second and final installment of our special analysis, we look at some of the less obvious costs of the budget-cutting process.

When state legislators talk about cutting government spending, their rhetoric is full of references to the need to save money because of the declining revenues. So far, despite hardships experienced by many Alaskans, they have been unwilling to seriously

consider enacting a new state income tax or drawing from earnings of the state's Permanent Fund to make up any shortfall in earnings.

But analysis by the state's own Office of Management and Budget suggests that several cuts mandated by the legislature in the last session may end up costing the state more, directly or indirectly, than the intended savings. Here, in the words of the July 16 report issued by state budget director Shelby Stastny, are some of the hidden costs of cutting costs:

—Due to a \$1 million reduction in the amount available for leasing state office space from the private sector. According to the

state's analysis of this action, "reductions in the component will reduce funds available for making lease payments resulting in potential breach and damages claims if lease payments are missed or short."

A number of options are available, but all require substantial staff time which will reduce the ability to "meet customer driven procurement demands." Furthermore, what will it cost the state to defend itself in court against breach of contract lawsuits?

--The new Capital Matching Grants Program was a high priority of the Hickel administration and intended to bring order to the chaos of appropriating money to communities for capital projects. The Dept. of Administration administers that part of the program targeting incorporated communities. According to the report, "It will be a challenge to implement the program in a timely and responsible manner without negatively affecting other services that must be provided . . . in this DOA component."

—The Finance Division of the Dept. of Administration was cut \$400,700. According to the analysis, "For several years, the Divi-

Page 9, please

Budget cuts . . .

Continued from page 1

sion of Finance has not been staffed to produce the Annual Financial Report (CAFR) without a great deal of unpaid overtime—930 hours for the FY 92 report. This might not be burdensome except budget cuts in recent years have required substantial hours of overtime all through the year to handle the routine workload as well. The reduction this year translates into another position-equivalent of workload to absorb, presumably again with unpaid overtime. Staff cannot be asked to maintain this kind of schedule with no relief in sight. The FY 93 report will have to be done without additional overtime. We estimate completion may be as late as mid-February. This means that the 'Balance Available for Appropriation' in FY 95, derived in the CAFR, will not be available until such time as the report is released."

In short, the legislature will not have at its disposal timely information needed to develop a rational budget for fiscal year 1995 budget.

--The Dept. of Administration's Division of Information Services took a cut of \$512,900 with the result that "the division will no longer be able to fully fund general repairs and maintenance for two-way radio and paging devices. This reduction will primarily affect agencies who depend on this type of telecommunication service for their mission such as the Marine Highways fleet, the State Troopers, emergency medical staff in the Dept. of Health and Social Services."

—A \$183,300 cut to the Boards of Fisheries and Game means that staff support to local fish and game

advisory committees will disappear, making it much more difficult for them to participate effectively in the formation of fish and game allocations and policy.

—While the administration and the legislature continually seek scapegoats for the slow pace of oil and mineral development in the state, funds to properly manage money-making renewable resources continue to decline. For example, the Habitat Division of the Alaska Dept. of Fish and Game lost \$183,600, resulting in significant reduction in forest practices field inspections on state and private lands, processing permits and providing fish and game data to other agencies for their own permitting and land use planning. According to the state's analysis: "The effects of such a severe cut in Southeast Alaska will be two-fold: First, the department will have to ignore development in some fish streams and not address development impacts on some areas of wildlife habitat. Thus, the level of protection afforded to fish and wildlife resources and their users, including commercial, sport, and subsistence harvesters, as well as non-consumptive users such as the tourism industry, will be reduced.

Second . . . permit applicants and the forest products industry will experience longer turn-around time on permit applications and less ability for ADF&G to schedule applicant-requested field visits on short notice."

The ultimate impact of cuts like this are almost impossible to project, but it's clear that it's not only esthetic values but the livelihoods of fishermen and tour operators that are at stake. Furthermore, for logging and mining interests, for whom time is money, permitting delays can also be very costly.

—The Dept. of Labor received a cut of \$148,200 from over its FY 1993 funding level for one program that will likely have impact statewide. According to the OMB analysis: "A reduction of this magnitude would eliminate the component's ability to produce population estimates for cities and communities. This information is critical for 1) equitable allocation of state resources and services to communities, 2) business market analysis and 3) reduction of undercounting in future censuses. The reduction of census undercounts is important in order for Alaska to receive its fair share of federal grants."