

Oil glut, not miscalculation, caused revenue shortfall

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Today I would like to clarify what may be a misunderstanding about the revenue projections for the State of Alaska for Fiscal Years (FY) 82 and 83.

First of all, the revenue income for FY 82 will more than cover the operations of state government. If you look closely at the budget bill for FY 82, you'll see that \$600 million is not scheduled to be spent until FY 83 . . . \$100 million in energy projects, \$100 million for municipal assistance and a \$400

million deposit to the Permanent Fund. The Legislature mandated and the Governor signed into law that \$1.8 billion dollars of excess revenue, above and beyond the constitutionally mandated Permanent Fund deposits from oil and gas royalties be placed in the Permanent Fund. However, only \$1.4 billion must be deposited by June 30, 1982.

The FY 83 revenue projections recently were released by the Legislative Finance Division. As the House Finance Chairman, I am also waiting to see the revenue projections from the

Department of Revenue before making any firm decision regarding the revenue outlook. Revenue estimates have never been engraved in stone. OPEC nations, rather than the (state) Administration or the Legislature or anyone else in Alaska, are substantially determining the price of oil, and hence revenues to the state treasury. Necessarily the Alaska State Legislature must deal with estimates that are speculative at best.

In a recent Wall Street Journal article, Saudi Arabia's Oil Minister Yamani, indicated that in order for OPEC to hold together, concessions must be made to

those oil producing countries that wish to raise their price per barrel of oil above the current world market price. Theoretically, the State could have an additional revenue surplus by this time next year.

In summary, I anticipate that we will be staying within the

proposed constitutional state spending limit for FY 83, without any decrease in basic governmental services. In addition, I think there will be substantial funds for our continuing effort to provide for needed capital improvements throughout the state.