• Binkley column

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Legislature isn't facing the prospect of a huge deficit as we start to build the budget.

As legislators and their staff people arrive in Juneau for the start of the session, there is a feeling of optimism that hasn't been much in evidence these past three years.

That doesn't mean we're back to the big money days of the early 1980s, but if oil prices hold at or near present levels, we may well have a $25 million to $30 million surplus in next year's budget, even after depositing another $150 million into the Permanent Fund. Last year, by contrast, when the Legislature convened in January we were staring at the very real possibility of a deficit exceeding $1 billion.

Gov. Steve Cowper's proposed budget offers hefty increases for some programs, such as a $33 million increase in state Medicaid spending and an additional $35 million for the education foundation funding program. Municipal assistance and revenue sharing are not increased in the governor's budget, however, but are retained at present levels.

Two items in the proposed budget of particular interest to rural Alaskans are Power Cost Equalization, which the governor proposes to keep at present funding levels, and a $3.7 million education improvement initiative, with a substantial share of those funds aimed at helping rural school children.

Also, with revenues holding firm, I don't believe we'll see yet another attempt this year to take all or part of the Permanent Fund dividend money.

Although it's encouraging that we're starting this new decade without the near panic that has characterized the early days of the past three legislative sessions, this still may be a good year to plan some long-term adjustments in state spending. We know our revenues will decline in the not-too-distant future as oil production at Prudhoe Bay falls off, and we'd be wise to do everything we can to prepare for living with a much smaller state budget.

Two budget items that especially need review immediately come to mind — formula programs and the Longevity Bonus. Formula programs, whose automatic increases will cost the state an extra $70 million this year, ought to be examined to see whether we can reduce their ever growing costs. We also should try to find a compromise that lies somewhere beween a needs-based approach and an annuity plan that would control the growth of the Longevity Bonus program without cutting benefits to current recipients.

Resolving those two problems wouldn't end the state's financial worries, but it would represent a serious step forward, and I think we ought to take it.