

Budget proposals will pinch villages

by A.J. McClanahan

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Gov. Bill Sheffield's proposals to slice \$550 million from state spending will hurt rural Alaska communities, and state officials are asking village officials "to look at every possibility" in an effort to reduce some of the problems.

"It's going to be leaner out there. There's no question about that," said Jeff Smith, deputy commissioner of the state Department of Community and Regional Affairs.

Smith said all communities in the state will feel the effects of the proposed cuts, but that it will be particularly tough for small rural villages that have a limited economic base.

"We're talking about communities with an operating budget of \$75,000 to \$80,000," he said.

State Sen. Frank Ferguson, D-Kotzebue, said he's very concerned about the Sheffield proposals.

"Somebody's going to be short-changed, and I think it's going to be the people," he said.

Ferguson said rural legislators are meeting this week to discuss the cuts and plan to release recommendations to the governor in the next few days.

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posals will create considerable problems for rural people.

"Sheffield has to do something. I'm not saying what he's doing is wrong," he said.

But he stressed that many communities already were hard-pressed to make ends meet before the latest call for cuts.

John Greely, Sheffield's press officer, said although the governor has called for freezing most of the state's \$350 million capital projects budget, projects needed on an emergency basis will continue.

"We're not going to stop projects that are already rolling. We're not going to take money off the street or pull jobs out from under Alaska workers," he said.

Programs that will go forward, Greely said, are those that bring federal money with them, such as

highways and airports, and some school projects. Greely said school projects needed for safety reasons include elementary schools in Kotzebue, Nome and Holy Cross.

As for the proposed 10 percent cut in state revenue sharing and municipal assistance, Smith said the reason it will have such a big impact on rural communities is that some depend on those programs for a majority of their operating funds.

The community with the most dependence on revenue sharing and municipal assistance is Upper Kalskag in Southwestern Alaska, which gets 87.43 percent of its operating money from the programs, Smith said. He said the rural community with the least dependence is Pelican in Southeast Alaska, which uses the two programs for 15.8 percent of its operating money.

Smith said because the two programs are based on a complicated formula, it is impossible to simply cut each community's grant by 10 percent. Factors such as an increase in population, new road construction or an increase in assessed property valuation could change the formula.

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Many villages will be pinched hard by the cuts, Smith said, because for many there is simply no way to raise additional funds.

Although property taxation is the exception in villages, most have sales taxes and some generate revenue with utility user fees.

But Smith pointed out that a village with a small population and minimal utility services has a hard time generating cash.

"It's easy to say expand the economic base," he said, but he added that in some communities there is simply nothing on which to expand.

Smith said Community and Regional Affairs officials will attempt to work with village officials to assist them. Also, he said Gov. Sheffield is trying to get as much information about individual villages' situations as he can.

"We just need to keep those communication lines open," he said.