

# Knowles' FY97 budget builds upon long-range planning ideas

by Jeff Richardson  
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Gov. Tony Knowles unveiled the outlines of his proposed budget for fiscal year 1997 on December 15.

Building largely on the recommendations of the Long-Range Fiscal Planning Commission, the Knowles plan calls for an additional \$1.2 billion deposit into the Permanent Fund and another \$40 million slice from the state's op-

erating budget. Early signals from the Republican-controlled legislature suggested a flashing yellow caution light, rather than a green light, for the proposal.

In presenting his budget, Knowles made no specific reference to high priority rural issues such as funding for sanitation.

The aim of the recommendations offered by the Long Range Fiscal Planning Commission earlier this year and the governor's budget is to provide adequate fund-

ing for program priorities while beginning to close the state's fiscal gap—the difference between what the state spends and what it receives in revenues—so that state savings accounts don't have to be used to balance the budget.

"Alaska's economic stability is built on the cornerstones of business investment, a strong job market and the ability to pay off our debts on time. But none of that will happen as long as we continue to dig deep into savings every year

to pay for state services and benefits," said Knowles.

"If we take responsibility for our future and quit living off savings, then we can ease the state to a safe landing over the next few years. If we don't, the landing won't be safe at all. We'll auger the economy right into a mountain and our children will be stuck picking up the pieces."

According to the governor, the budget provides full funding for education at current levels, pro-

vides "adequately" for "vital public services," including transportation, public safety and economic development, eliminates about 160 full-time and 100 part-time positions and imposes "efficiencies and streamlining on state agencies."

One feature of the spending plan that has drawn criticism from lawmakers is the proposal to count \$5 million in increased user fees for state services towards the \$40 million in cuts claimed by

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Knowles. The governor said the remainder of the budget reduction was achieved through:

- more than \$20 million in direct reductions to state agencies;
- reducing personnel costs by \$7 million through retirement incentives and other streamlining measures;

- placing an income cap on the Longevity Bonus program, saving another \$6 million. The ceiling for bonus eligibility would be \$60,000 for individuals and \$80,000 for families;

- a \$2.1 million savings achieved through streamlining agency activities; and

- a \$1.2 million savings achieved through agency reductions and increased efficiencies

in transportation programs.

To accomplish these reductions, Knowles wants to shift a number of state expenditures, such as a portion of the cost for student transportation, to municipalities. He announced the formation of nine working groups comprised of state and local officials to develop more specific proposals for shifting costs. He also pointed to recent success in trimming welfare costs through policy reform and revisions in state employee contracts which reduce their impact on the budget.

"Alaska's budget is more than just columns of numbers," said Knowles. "It determines whether our communities are safe and healthy. It fosters economic development through the creation of

jobs and job training. It permits us to manage our natural resources widely through sound science and public involvement.

"It provides us the tools to provide a healthy start and a solid education for Alaska's children. These are this administration's priorities and these are the objectives this budget strives to achieve.

"We've talked about what this budget does, but there is also something this budget doesn't do. It doesn't pull the rug out from under Alaska's most needy people. As big as our fiscal gap is, I absolutely refuse to focus the budget-cutting spotlight on low-income, single-parent families, the elderly poor, the disabled or other Alaskans who are already having a hard time making ends meet."