

Hickel's budget plan hits Bush communities hard

by Jeff Richardson
Tundra Times staff

Governor Walter Hickel wants to cut the state budget by another \$24 million and slash funding for municipalities by 50 percent, even though state coffers are bulging with hundreds of millions of dollars in surplus funds. Hickel proposed the cuts to offset an anticipated deficit resulting from low oil prices. Oil tax revenues make up about 85 percent of the budget.

Hickel's budget director, Shelby Stastny, held a press conference in Anchorage last week to outline the administration's proposed fiscal year 1995 budget, which begins next July. In addition to the cuts, he said the governor will seek increases in state taxes on fuel, cigarettes and alcohol and the creation of a new, \$100 per year tax on all persons working in Alaska, including non-residents. In addition, the proposed capital budget will be \$100 million instead of \$300 million originally planned.

The municipal assistance cuts could have drastic and disproportionate impact on rural communities which lack a sufficient tax base to raise funds to make up the loss. The Alaska Municipal League promptly criticized the

State budget cut . . .

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proposal.

"The proposed reduction is unfair to local government," said AML president John Torgerson. "Municipalities have already borne more than their fair share of the burden of state budget balancing efforts in recent years. Municipal Assistance and Revenue Sharing have been reduced every year since 1985."

A statement issued by AML said a 50 percent reduction in funding for these programs in one year "will mean layoffs and canceled projects in communities across Alaska." The organization called for fiscal year 1995 funding at the current year level of \$40 million for revenue assistance and \$32 million for revenue sharing. The AML also proposed a study of "the state's role in support of local government."

But even the AML statement failed to note the potential disruption in rural municipal services that would come from such a large

cut, focusing instead on how the proposal would affect Anchorage, Fairbanks and Juneau.

At the press conference, Stastny conceded that Hickel was not proposing a state income or sales tax because it is considered politically risky.

"We're not masochistic," Stastny said. "I think there will be enough vehicles for discussion out there."

He said that while the administration would be open to considering tapping the state's permanent fund or other rainy day accounts, he doesn't plan to take the lead in proposing such alternatives.

In most cases, using the reserve accounts to balance the budget requires only a simple majority vote of the legislature, and some lawmakers, both in and out of the political majority, seem more than willing to consider using some of the reserve accounts as part of a broader fiscal strategy.