

Governor's study examines higher costs

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A popular battlecry among Alaskans who say our government should be pared to the bone is that this state spends two, or four, or six times as much as any other on public services. Why can't Alaska be more like Kansas or Vermont or Utah, they ask?

The short answer is that Alaska provides its citizens more services than most others, that it costs more to provide them here and that Alaskans enjoy benefits from their government that are rare or nonexistent in other states.

Those are the conclusions of a study my office conducted recently at the request of Gov. Steve Cowper and the Budget Summit he formed with key legislators in January. The governor wanted to know why Alaska spends more per resident than other state governments.

We found that government spending per Alaskan has dropped to about the level it was in 1979 — before the oil boom — excluding Permanent Fund dividends and adjusting for inflation.

Today, the state spends about \$4,300 for each Alaskan, about four times the national average. During the spending spree of the early 1980s, Alaska's per capita spending reached nearly \$10,000.

There are five main reasons for Alaska's comparatively high rate of spending:

- Alaska's state government provides many services that in most other states are delivered and paid for by local government. For example, in Alaska the state pays 99 percent of our corrections system — jails, prison guards and probation officers. On the average, all other states pay only 65 percent of those costs. The difference costs us nearly \$39 million a year.

It's the same story with other services — natural resource protection and development, the courts and judicial system and air transportation. Overall, Alaska pays 20 percent more of those costs than other states, which total about \$175 million more each year.

- It costs more to deliver services in Alaska than in other states. No Alaskan needs to be reminded that this state is big — one-fifth the size of the entire Lower 48 states. Alaska's population density is one person per square mile, compared to 67 people per square mile in the continental United States. As a result, it costs considerably more to provide basic health care, education, public protection and just about every other public service and benefit.

According to the American Chamber of Commerce, costs are 34 percent higher in Alaska's major population centers; another index puts rural Alaska costs 45 to 85 percent higher than the national average. That higher cost of doing business adds about \$300 million to the state budget each year.

- Over the years, Alaska has adopted and routinely funds a host of programs and benefits that are rare at best and mostly nonexistent in other states. Among the 27 programs identified in the study are Permanent Fund Dividends (\$457 million), longevity bonus payments to senior citizens (\$64 million), rural energy subsidies (\$19.7 million), ferry system (\$64 million), subsidized housing loans (\$5.9 million) and student loans (\$7 million).

The combined costs of those pro-

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*In a year,
Alaska pays \$19.4
million more for
public employee
health insurance
than the national
average.*

grams — \$831 million — represent approximately 30 percent of the state budget each year.

- Alaska debt — reimbursing local governments for school construction, university buildings, public housing — drives up state spending. In 1987, Alaska's debt totaled \$1,140 per person, about 10 times the national average. This year those costs add about \$231 million to the state budget.

- The benefits Alaska pays its public employees are higher than in other

states. For example, in January Alaska spent \$348 a month for health insurance for each employee, 64 percent more than the national average of \$212 a month. In a year, Alaska pays \$19.4 million more for public employee health insurance than the national average. The shorter work week (37.5 hours) and liberal vacation, sick leave and retirement policies contribute to yet additional costs.

What does this study tell us? For one thing, these five factors total nearly \$1.6 billion or more than 50 percent

of the entire state budget. For whatever reason, that's what Alaska pays above and beyond the national average for basic public services and benefits.

It's no secret that we spend more on our citizens than the national average. But much of that spending can be directly attributed to Alaska's uniqueness — our special programs, our high costs and our better benefits. Whether that will change depends on the willingness of Alaskans to do without some of those services and benefits.