

The Non-Dependent State of Alaska

When the founding fathers formed the United States, the citizens of this great land believed that a person reached out a hand to welcome others, reached out a hand to offer a hand up, or reached out a hand to accept a hand up. Today, we hear about a person, group, community, or state that is looking into other peoples' pockets and waiting expectantly for a hand out. Today, when organizing an economic development team, our communities first hire a lobbyist and a grant writer to solicit the peoples' money instead of hiring a business person to finance and develop the project using their own money. Today's method is not ethical or sustainable. We see ever increasing government "creep", overreaching regulation and unending fiscal crises.

The following proposal is designed to protect the State of Alaska by building automatic discipline into government budgets within the State of Alaska.

Alaska Budget Stabilization Act aka "The 95% Rule"

The Alaska statutes are to be amended to provide the following budget methodology throughout the state:

Legislative bodies at all levels of government in Alaska determine the total budget appropriations for each department within their jurisdictions each year under the 95% Rule. For existing, ongoing programs, which comprise the vast majority of budget considerations, a baseline budget for each department will be established at 95% of the current fiscal year appropriation¹. The baseline budget is required to be non-deficit. Thus appropriations may not exceed projected operating revenue.

To enact the budget appropriation for the following fiscal year, no action is required by the legislative body. If the body fails to take action to increase or decrease individual departmental appropriation items, the 95% baseline budget simply becomes the new fiscal year budget.

Naturally, there are fixed costs within nearly every department that simply can't be set at 95% of their current year value and doing so means that other line items must be cut more than 5%, sometimes significantly more than 5%. For example, it may be impossible to simply expect to cut insurance premiums by 5%. Also, quite often revenue considerations may positively or negatively affect specific line item expense appropriations. Changes in the revenue stream that increase or decrease projections may include inflation, demographics, fees, grants from other governments, etc. Since the operating budget is required to be non-deficit, expected revenue changes must be reflected in any directly associated expense appropriations. Alternatively, other appropriation line items may be further cut to meet the shortfall. These adjustments would typically be suggested by department staff and incorporating them into the initial budget is acceptable so long as the overall 95% appropriation rule is met.

Such budget challenges are often characterized as "devastating", "insurmountable" or "vital" aspects of any given budget and efforts are to be expected to defend the status quo or somehow exempt them from the 95% Rule. Since the focus of this rule is to restrain spending and government "creep", the bar is set very high under this budgetary rule such that it requires a consensus rather than a simple majority to vary from the baseline appropriations.

¹ New programs will have their initial annual budgets established and funded separately from the baseline budget but be subject to the 95% rule in subsequent years.

To fund a department above or below the 95% Rule requires specific action by the legislative body:

- ✓ To increase the department baseline appropriations by up to 5% of the baseline requires a minimum affirmative vote in excess of 50%, a simple majority.
- ✓ To increase the departmental baseline appropriations in excess of 5% but less than 10% of the baseline requires a minimum affirmative vote of at least 66%, a super majority consensus.
- ✓ To increase the department baseline appropriations in excess of 10% of the baseline requires a minimum affirmative vote in excess of 75%, a consensus super majority.

Benefits:

- ❖ Ensure a minimum operating budget each year without legislative action at 95% of the previous year, allowing for predictability.
- ❖ Any escalation of the budget will require an escalation by legislative process subject to virtual consensus.
- ❖ Stabilize the budget process as it will create a disincentive towards drastic swings, either up or down, in the budget.
- ❖ Government departments will be better able to develop budgets, with some assurance, several years in advance.
- ❖ At a time when the budget is still in dispute and the new fiscal year is rapidly approaching, the legislators will not be under pressure to agree to a detrimental compromise.
- ❖ By enacting the 95% Rule, the legislators will not have abdicated their authority, they will have automated it. The legislators will not have to act to reduce the budget; any inaction will create an attrition level of 5% each year.

The United States of America and the State of Alaska were founded by hard working non-dependent people. Sadly today, too many of our people would rather heat their home by collecting a heating oil welfare check instead of using their own resources and efforts to collect firewood. Many of our fellow citizens believe the public pool, the public library, and the public gym should all be equally paid for by their neighbors, whether those neighbors consider those services a benefit or not. Is this not just another form of welfare and redistribution of wealth?

As our state has become more dependent on federal largesse, our cities and boroughs have also become dependent on state grant programs and taxes. Now, our families are being trained to be willing dependents of the state.

We as Alaskans owe our posterity the dignity of setting the example of non-dependency and self-reliance. The 95% Rule is a step in that direction.