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## Alaska Senate to vote Wednesday on state budget with \$3,000 PFD

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JUNEAU — The Alaska Senate will vote on an \$11.55 billion state operating budget beginning at 9 a.m. Wednesday. The plan under consideration rejects most cuts proposed by Gov. Mike Dunleavy and is similar — in its approach to state services — to a competing idea approved by the Alaska House of Representatives in April.

Unlike the House plan, the Senate budget contains spending for a \$3,000 Permanent Fund dividend paid using the traditional formula in state statute.

“That’s \$1.94 billion to pay out a dividend using the statutory formula,” said Sen. Bert Stedman, R-Sitka and co-chairman of the Senate Finance Committee.

The Senate budget does not say where the state will get money to pay that dividend. The House and Senate budgets have a \$700 million “surplus” if dividends are not included. Spending \$1.94 billion on dividends would create a deficit of more than \$1.2 billion, but that amount could be covered by spending from savings.



*Sen. Bert Stedman, R-Sitka, on Jan. 15, 2019 at the Alaska State Capitol in Juneau. (Loren Holmes / ADN)*

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The Senate budget also includes a \$13 billion transfer from the unprotected portion of the Alaska Permanent Fund to the constitutionally protected portion. The transfer would prevent lawmakers from spending that money on dividends or government services.

“Thirteen billion might be our lucky number, Madam President,” Stedman said to Senate President Cathy Giessel, R-Anchorage.

The Senate budget will return to the House for consideration and, likely, rejection. That would lead to negotiations on a compromise before May 15. Dunleavy may use his line-item veto after that compromise goes to his desk, or he could reject the compromise entirely. Lawmakers would then have an opportunity to override the governor’s decision.



*Sen. Shelley Hughes, R-Palmer, on Tuesday, Jan. 15, 2019 at the Alaska State Capitol in Juneau. (Loren Holmes / ADN)*

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Sen. Shelley Hughes, R-Palmer, is leader of the Senate's Mat-Su caucus and said that while her group wanted a budget that more closely resembled the governor's plan, "It's clear the conversation the governor started has been effective."

In 2018, lawmakers voted to increase state spending slightly, reversing years of oil-price-driven austerity. This year, both House and Senate are proposing significant cuts to direct state funding for agencies: more than \$250 million each, according to figures from the nonpartisan Legislative Finance Division.

Hughes believes Dunleavy will cut still further, which is why her group of lawmakers is generally supportive of the budget.

"Even though we didn't reduce as much as our area supported ... we know the governor will take a hard look at things that can be red-lined that will be within reach," she said.

She said she also believes this year's budget will be the first in a series of gradual reductions in state spending. Lawmakers learned this year that many of the governor's budget-cutting proposals also require changes in state law that will take longer to implement.

From the opposite perspective, Senate Minority Leader Tom Begich, D-Anchorage, said his group of six Democratic lawmakers has "a good working relationship with this Senate majority. They share the same concerns we do about the governor's original proposal."

The Senate Finance Committee was expanded to 11 members this year, including two members of the Senate’s Democratic minority. That kind of involvement created more “comity” in the budget process this year, Begich said.

Sen. Bill Wielechowski, D-Anchorage and one of those minority members, pointed out that the Senate budget, like the House proposal, makes no cuts to K-12 education. Lawmakers are supporting an appropriation made last year that set terms for funding this year. (The governor is expected to legally challenge that approach.)

The Senate budget also funds the entirety of the state share of school bond debt reimbursement. The state traditionally paid for a portion of debt that school districts incur when building or renovating schools. Though that program has ended, school districts still hold millions in debt the state has pledged to pay. The governor proposed eliminating that support, which would likely compel municipalities to increase property taxes. The House has proposed paying half the amount.

*[As property tax bills go out, Anchorage officials warn of looming state budget impacts]*

The minority’s agreement with the majority has its limits, Begich said. The Senate proposal cuts funding for the Alaska Marine Highway System by \$44 million. The House had proposed a \$10 million cut, and the minority is expected to ask that the Senate cut be reduced.

Begich said his members will also seek to reduce the Senate’s proposed \$82.6 million cut to Medicaid services. The House had proposed a \$58 million cut.

Looking ahead, Begich said he is “hopeful” that any budget compromise with the House will have the 45 votes needed to override any veto by the governor.

#### **About this Author**

#### **James Brooks**

James Brooks covers state government, the Alaska Legislature and general assignments for the Daily News. He previously reported and edited for the Juneau Empire, Kodiak Daily Mirror and Fairbanks Daily News-Miner.



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## Comments