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Jay Hammond

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1976 budget message

Juneau, Alaska

Jack Quisenberry introduces the program. The broadcast is from the chambers of the State House of Representatives in Juneau. The audio and video production is being provided by the Alaska Office of Telecommunications. Statewide interconnection is being provided as a public service by RCA Alaska Communications. Chancy Croft, president of the senate, will preside. Recently Governor Hammond delivered the State of the state address and today's message will address the budget.

The joint session is called. Jay Hammond is announced.

Jay Hammond said they once again are assembled to examine affairs of state. Today they deal with cold reality. He said unless they get back in better economic balance efforts to meet our needs will be largely frustrated. He believes Alaskans are much more than simply economic oriented and instead recognize that more and bigger are not better and optimum is always less maximum. He talked about problems facing Alaska and how people viewed his election to office. He talked about growth in Alaska and how it is viewed by different groups and sustaining the growth that is already upon the state of Alaska. The growth base of population and expectancy is far beyond what it once was. Unless there is employment to sustain the base massive unemployment would exhaust funds in Alaska. He said it is preferable to go from boom to bang rather than bust. He talked about the possible gas pipeline not attracting any more people than are already here. He would not like to have six pipelines being built and super heating the economy and stimulate the population growth. He said once the non-renewable resources are spent they are gone forever. He said renewable resources will be the economic backbone when the non-renewable resources are gone. Agriculture is being exploited almost to its maximum and fisheries can't absorb more bodies. It is his hope that the population base will not grow much more than it is right now and one way this might be done is to hold to but one major project at a time. This could sustain those that are already here for many years and only by so doing could oil revenues provide the good life from invasion. He said our revenues from non-renewable resources are already fixed by fate; they are potentially precisely the same no matter how many people are dependent on those revenues for services or sustenance. He believes it is far more prudent to accumulate over a long span sustaining fewer people for that period than an attempt to sustain a multitude for a shorter period of time. This is not selfish, but sensible. He has no qualms supporting programs for Alaskans who are already here before inviting more to trespass. He said let's bring all Alaskans here on up rather than bringing others on up here. It will be the policy to parcel out the resource wealth at a deliberate but vastly slower pace than some might wish. He said even were they able to constrain growth on those lands and resources under state control substantial growth and change would still occur. Native corporations with profit making incentives will be developing their resources. Outer continental shelf development in waters

adjacent to Alaska is virtually assured. He comments about those who would inhibit all development and growth even if it be environmentally sound and financially sound: come the next election the multitude of jobless would elect the most blatantly exploitive candidates available. He said we must do our best to fashion sound and sensible policies and through their application demonstrate how to increase the corporate assets of "Alaska, Inc." and provide dividends to all Alaskan shareholders. If this is accomplished those shareholders will demand these policies be perpetuated long beyond the time all here today are gone. Politics is often called the art of compromise, but compromise to the purist is inconceivable. It smacks of betrayal or character deficiency. Some are concerned when he an avowed conservationists concerns himself with economics. When he has taken a stand that causes other conservationists some consternation it has been in part the politics and the economics of the moment that have compelled him. He tells those conservationists be assured that unless they climb up to more stable fiscal grounds that you can forget even the scrutiny of growth much less its steerage. The imposition of environmental controls will be deemed by politicians an impermissible extravagance should it repress required revenues.

He starts to talk about specific budgetary matters. In fiscal 1975 state income was about half of what was being spent. During his first year in office expenditures and income were just about equal. It related to accelerated pipeline activities. The budget he presents is the first to be stamped with his name. He said it is the first balanced budget in over seven years and it is a tight budget that is combined with his proposed revenue package that will amply cover proposed expenditures. People will be happy or unhappy with his proposals. His obligation is to do his best to strive for balance. He talked about pork barreling and economizing efforts. He hopes that this budget will do more than pad the fiscal crunch. The long range strategy assures that budgets do not grow exponentially toward more red ink. He said this is the largest budget ever. When inflation and population growth are keyed into the equation it is apparent how tight the budget is. He wanted a budget that reflected a slowdown in government growth. The budget is 646 million dollars. Revenue estimates anticipate the receipt of 734 million dollars in state funds in fiscal 1977. He thinks a surplus of 34 million will be generated. He talked about short changing certain budgets in the past to appear to have smaller budgets. He intends to hold beneath the 700 million figures. He talked about having a balanced budget. He discussed deficit spending. He is determined to have it under control. He talked about increases in fiscal year budgets in the recent past. His budget is a twelve point nine percent increase over the previous year's budget. He talked about the increase in the legislative and judicial branches and additional staff requests for the state. He said expenses must not be allowed to outweigh income. He proposes a three prong approach for the short and long term. He has approached private enterprise to assist in an efficiency study of the executive branch. Second he said those that use Alaska resources do not do so at state expense. Those that benefit from state programs should be obliged to pay for them. Third he wants to establish a constitutionally sound permanent fund to provide a future legacy by assuring that while certain resources may not be non-renewable then revenues from them can be made to live on. He talked about the cash flow situation as they await the arrival of North Slope oil revenues. He proposes passage of a 20 mill tax on oil reserves for the coming fiscal year and later during the session allow for readjustment after assessments have been made on oil properties. Second he would like to move the oil transportation ad valorem tax collection date from September 30 to June 30. This measure would move

ahead an additional 140 million. This means balancing the 1976 budget and an additional 58 million over current estimates for 1977. The third measure would provide for continuing appropriations for debt service. In addition to the three measures he also urges passage of the gas severance tax. Tax credit measures would be introduced to help Alaskans to beat the high cost of heating, but also as the first of many direct dividend payments to shareholders in Alaska, Inc. – the taxpayers. A sponsor substitute would be introduced to increase fish and game license fees. Some license fees have not been raised since 1959. He will introduce legislation to allow all people in Alaska to be exempted from taxes on pensions and annuities. To improve the instate bond market he is asking for exemptions on bonds to be limited to Alaska bonds.

He talked about the government responding with too many services which require sustaining funds. He talked about dividing funds up into dividends and dispensing it to all shareholders equally. He proposes a marine fuel tax increase to 2 cents a gallon and exemptions to cooking and heating oil are limited. The marine tax would be used for improvements. Last session he introduced a mining severance tax, Senate Bill 294. It did not pass. It introduced debate on a fair tax to the industry. A fair mining license tax bill has been produced. The bill should generate additional revenues and stabilize an equitable tax policy for that ailing industry. They want all non-renewable resources produce a small net profit to contribute to Alaska, Inc. and not erode the corporate assets.

Education programs make up 42% of state funds. He talked about the university budget and the cooperation of the Board of Regents. The university increase is 17%. Senate Bill 35 dissolves the state operated school system. This has incurred momentous change. He discussed the municipal sharing formula. Proposed transportation program comprise the second largest budget program. There have been 340 new lane miles. They spend about 3,000 annually per lane mile. He has instructed the Dept. of Highways to slow expenditures and holding down the cost of avoidable maintenance. They are taking a hard look at off system roads. At current levels highway fuel taxes and licenses will bring in 34 million dollars and highway maintenance costs will cost 48 million. He supports passage of house bill 306 which increase fuel tax and reduce the subsidy. He talked about the marine highway system. It is subsidized by 19 million dollars. They will make changes to the restaurant business in the system.

His talked about the proposed gas line and the cost of preparation work. He talked about elderly dividends and higher priorities. He wants to extend the longevity program and the homemaker program instead of putting people in the Pioneer Homes. They also have money in the budget for Native Land Claims Settlement. There is 9 million dollars for capital projects. His administration is trying to cut costs. The Dept. of Administration is reviewing twenty-five programs. This is the beginning of a review of all state programs. They are looking at life costs and maintenance of new buildings. Life cycle costs will be considered. He discussed the bond package for the next two years. 465 million in bond proposals were requested by state agencies and the maximum they can support without impacting the bond rating is 240 million. The bond proposal he presents today is 199 million. He has proposed 40 million for fisheries enhancement and rehabilitation programs. He talked about working together within the budget proposals. He will propose 45 million for bonds for education construction. He talked about the Hooch case. 15 million is proposed for university projects. 31 million is proposed for the Dept. of Environmental Conservation. 1.8 million to construct a National Guard Armory in Anchorage. 30 million is proposed for

correctional facilities. 53.4 million is proposed for highway construction with matching funds. He talked about the right of the people voting approval for capital projects. Retirement systems for judicial and public officials are funded by annual appropriations and he said it is fiscally irresponsible and unfair. Many other states are facing funding of employee program problems. Pensions should be paid as they are due and that costs are recognized as they accrue. He discussed the pay bill and retirement system passed by the legislature. A referendum is planned. Other provisions in the bill should not be repealed. He talked about proposing salaries for non-classified employees. He said last year he hoped to come to Juneau and hang a bridle on the bureaucratic beast. He said they have taken a few hurdles pretty well. He thanked his crew.