[adn.com](adn.com)

Walker: Alaska's savings mean budget situation not a 'crisis'

Pat Forgey, Nathaniel Herz

6-7 minutes

Alaska Dispatch News

JUNEAU -- Gov. Bill Walker says Alaska will tap its savings and cut budgets to get through low oil prices, but in an interview on the eve of next legislative session he was unwilling to call the state's multibillion-dollar deficits a "crisis."

"I don't use the word 'crisis' having been through some crisis in Alaska," Walker said. "This is a downturn, this is a serious time to sit down and make some changes within our fiscal structure."

Walker spoke with Alaska Dispatch News on Monday, making his first substantive comments on the state's budget in advance of this week's dual legislative addresses, first the State of the State on Wednesday and the State of the Budget on Thursday. The 29th Legislature convenes Tuesday.

Both of Walker's addresses will be before joint sessions of the

Senate and House of Representatives in the House chambers at the Capitol.

Walker said the big difference between the current situation and previous situations, such as the oil price collapse in late 1980s, is that Alaska has substantial savings that can be used to shore up state spending and buffer the impact on Alaska's economy.

"I'm pleased we have a buffer, that we have savings, and I give credit to those who were in the Legislature and the administration that wisely put money aside. Without that we'd be in a very different situation."

Those savings need to be used to keep state government budget cuts from causing an economic crash, he said.

"We don't want to be the driver into putting Alaska into any sort of recession," Walker said.

He said former Govs. Frank Murkowski and Bill Sheffield have reached out to him to talk about how they dealt with similar situations when they were in office.

But Walker said that in addition to spending savings to prevent devastating cuts, the state budget will have to be trimmed.

Walker has also highlighted his efforts to stop spending on several megaprojects that Alaska has been moving forward with, but may no longer be able to afford to finish. He had earlier issued an executive order stopping spending on six projects, including the Knik Arm Crossing. But he said he had to intercede again Friday to stop the Department of Transportation from using its power of eminent domain to seize the Government Hill Subway franchise that's in the way of the still-hypothetical bridge

project.

"Until we know we're actually going to do that, let's not go and start tearing down buildings and closing businesses," Walker said.

It would be one thing to condemn the building if there was funding available and agreement to do the Knik Arm bridge, but closing a business for a project that may not happen is "what gives government a bad name," he said.

High oil prices have kept years of declining oil production from creating revenue shortfalls. About 90 percent of the state's unrestricted revenue comes from taxes and royalties on North Slope oil production. While Alaska now has savings that it didn't have during the 1980s recession, it also has more people and more government costs than it did then.

Alaska's state government needs some permanent cuts to its operating budget, Walker said.

"We're going to make some changes that quite honestly I believe were necessary at $100 a barrel oil, so they're really necessary at $45 oil," he said.

Walker has asked his department heads to propose how they'd cut their budgets by 5 percent, and also how they'd cut them 8 percent. He has not yet made his own budget proposal public, earlier forwarding on to legislators the preliminary budget drafted by former Gov. Sean Parnell without endorsement.

He said his preliminary talks with legislative leaders have gone well, including an hours-long meeting at the governor's mansion in which he said they were in agreement with his priorities of

restraining spending but not risking a recession.

"I think we reached an understanding; I don't think we had much disagreement," he said.

Walker said he's not ready to look at new revenue sources such as tax increases, and neither were legislators.

If oil prices remain at current lows, that might be necessary in the future, he said.

"If this goes on a couple of years, absolutely we have to have that discussion," he said.

Now, Walker said, he's planning for a multiyear budget-cutting plan on the assumption that oil prices will remain where they are currently.

But as part of avoiding a crash of the state economy, which is significantly fueled by state spending, budgets will have to taper down, he said.

"We don't think you can do this all in the first year," he said.

Walker said he thinks the public has accepted the idea of cuts to the budget as well. People he's met in restaurants and on airplanes have said that government has to be cut, he said. Most of those people benefit from state spending in some way, he said.

"Even they say, 'Yes, we understand there have to be some adjustments,'" he said.

So far the comments have been divided between acknowledging cuts are necessary and urging against cuts to specific programs, he said.

Even if oil prices rebound, Alaska still needs to limit its government spending, he said.

But if the state has more money, capital project spending that has been slashed dramatically could be reinstated. That could even mean that some of the state's megaprojects that have been put on hold could "grow legs at a later time, if we could afford it."

What Alaska can't afford to do is to "regrow government to where it has grown to," he said.

About this Author

[Nathaniel Herz](#)

Nathaniel Herz covers politics and general assignments. He's currently in Juneau covering the Alaska Legislature. Sign up for his weekly email roundup on all things Legislature, [The Agenda](#).

Local news matters.

Support independent, local journalism in Alaska.

0 Comments

Alaska Dispatch News uses Civil Comments. Please keep your comments on-topic, focus on the issue and avoid personal insults, harassment and abuse. [Read the user guide.](#)