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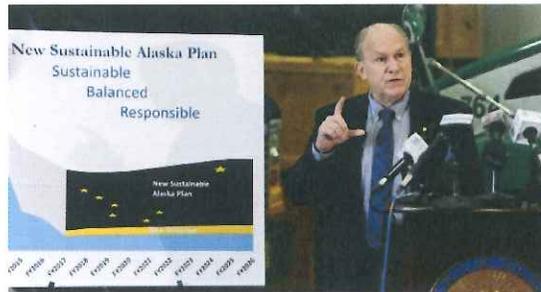
Politics

Alaska GOP lawmakers want steeper cuts, eyeing health care and education

Nathaniel Herz | December 15, 2015

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Republican legislative leaders say they're looking at deeper cuts than **the \$100 million in reductions** Gov. Bill Walker laid out in his state budget last week, with proposals likely to target health and education spending.



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Walker's administration says its proposed 2.5 percent reduction, on top of a 9 percent cut this year, is as steep as Alaska's economy can sustain without putting the state at risk of a recession. The governor is arguing for a new income tax and a restructuring of the Permanent Fund to help cover the state's \$3.5 billion deficit. But GOP legislative leaders, and some of their supporters, say they plan to find more savings, and view the fiscal crisis as an opportunity to scale back the size of state government.

"We don't have a choice but to cut — and you can use that quote," Sen. Mike Dunleavy, R-Wasilla, and a member of the Senate Finance Committee, said in a phone interview Tuesday. "To seriously contemplate an income tax would be a fatal mistake for the state of Alaska."

Walker and the Legislature cut nearly \$900 million from the state's \$6 billion budget this year, though much of that came from capital spending, which primarily goes toward infrastructure projects.

State agency spending was sliced to \$4.1 billion from \$4.5 billion, with some of the biggest cuts coming from education, health and transportation.

GOP Senate leaders say they think that another \$500 million or more in savings can be found. They've released few specifics so far about how they'd reach that goal, and

Dunleavy and others said they likely wouldn't be unveiled until legislative staffers finish a detailed analysis of Walker's proposal.

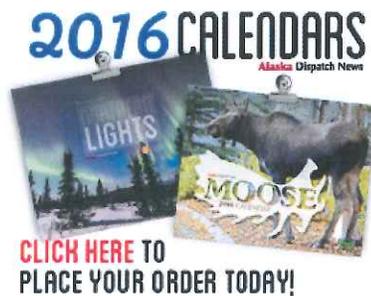
But Dunleavy added that the next round of cuts would also likely have to target education and the Medicaid low-income health care program, which together amount to about half of state agency spending.

"Some folks will not like that — I understand that," Dunleavy said. But, he added: "If we're looking at this purely as a mathematical issue, your largest cost drivers are education and health and social services. It's an inescapable fact."

Rep. Mark Neuman, R-Big Lake, was more circumspect when asked about reducing education and health spending. But Neuman, the co-chair of the House Finance Committee, rattled off a long list of areas where he thought the state could find savings. It could turn over more work to tribal courts, restructure [the \\$4.4 million commission](#) charged with limiting participation in commercial fisheries, combine the public safety and corrections departments, and even eliminate the state's commerce department altogether.

"It's time to start looking back and say: What do we really need to have for government compared to what our constitutional mandates are?" Neuman said.

"Now is not the time to panic — we've got several years of funding available to make sure we can cover any deficits."



Walker's budget director, Pat Pitney, said in a phone interview Tuesday that cuts far deeper than the ones already proposed could send the state's economy into a "spiral" and hurt Alaskans who depend on government services. She discounted the idea, promoted by some conservative groups and lawmakers, that Alaskans need to be sharply affected by budget cuts before they're prepared to support income taxes or a smaller Permanent Fund

dividend — both of which are parts of Walker's proposal.

"Our thought is that we can approach this rationally, and people could understand the consequences without having to go through the pain," Pitney said. "You can create pain, but that's not what we're here to do. We're here to serve Alaskans."

Republican lawmakers aren't the only ones pushing for deeper cuts. Commonwealth North, an Alaska public policy group, released [a 25-page report](#) on the state's operating budget earlier this year that laid out areas for potential cuts, from health care to salaries and benefits for state employees.

The report pointed out that public workers on the state's lowest-cost health plan make no contribution toward the cost of their monthly premium of \$1,346, which is covered entirely by the state as part of its \$275 million annual employee health care expense. In all but a handful of states, public employees are responsible for a higher proportion of costs than they are in Alaska, according to [a report](#) by the Kaiser Family Foundation.

In a phone interview, Commonwealth North's president-elect, Cheryl Frasca, walked through other cost-saving ideas including housing prisoners outside the state — reversing an initiative to bring prisoners held out-of-state back to Alaska — moving public employees to four-day work weeks and reducing salaries.

The problem, Frasca acknowledged, is that many of those potential cuts would have to be negotiated through collective bargaining with the state's public employee unions — which strongly supported Walker during his campaign last year.

Those unions, with the help of Democratic allies in the Legislature, earlier this year defeated a proposal to cancel \$30 million in cost-of-living raises that were already in their contracts.

Pitney said the Walker administration has been trying to get concessions on wages and health insurance costs from its unions in new contracts, though negotiations aren't complete. But those provisions, she said, are "certainly something we are actively pursuing."

Both Frasca and Dunleavy also said that the state could likely find savings in its \$600 million Medicaid budget. Frasca, a former state budget director, said the state could revisit its guidelines for who qualifies for the program, which was recently expanded to cover low-income, able-bodied adults who make up to \$20,000 annually.

"For those who really are poor and disabled, as a value, yes, let's help them," Frasca said. "But maybe you need to revisit your definition of poor."

The state's health department cut \$60 million from its Medicaid budget this year, and it's planning to slice another \$30 million next year. A report examining ways to redesign parts of the program is expected next month, and other initiatives are likely to result in additional savings, state health officials said in an interview Tuesday. But it's also unlikely that the department will keep finding savings of the same magnitude of the last two years, they said.

Even a high-profile Medicaid reform bill proposed earlier this year by Sen. Pete Kelly, R-Fairbanks, one of the Senate's most vocal proponents of budget cuts, isn't projected to save more than \$20 million annually.

To expect that the health department can continue to find significant cuts "will probably be difficult," said Sana Efird, the assistant health commissioner. "But not to say that the department is not going to continue to do what we can to control the pieces that are in our power."

Making broad, cost-saving changes to the program's qualification criteria, Efird added, would likely risk the more than \$1 billion in federal Medicaid funding that comes with strings attached — requirements that the state's program serves specific groups.

Health care reform is complex, and over the long term, success for the state may need to be defined as holding growth in Medicaid spending below the national average, said Becky Hultberg, the president of the state's hospital and nursing home trade group.

"If there were an easy button, we would have pushed it a long time ago," she said.

As for education, Neuman said the state's entire education funding formula had been so "switched around and changed up" that the whole program likely needs to be "redone."

Dunleavy, who chairs the Senate Education Committee, wouldn't identify any specific cuts, but the question, he added, is "where we can find significant savings without destroying certain aspects of the system."

One idea discussed by conservatives has already drawn vigorous objections from rural teachers and students: cutting full state funding to schools with fewer than 25 students.

That move could lead to the closure of about 60 schools. The savings, according to an analysis by the state, would potentially amount to just under \$6 million.

One of the critics of that idea, Rep. Jonathan Kreiss-Tomkins, D-Sitka, said that big cuts to the state's education budget would have substantial negative effects.

"Schools will close, teachers will be laid off, classes like music or Spanish will cease to exist, and extracurricular activities like school sports will be compromised and eliminated," he said. "And all of that, to me, is an unpleasant future to contemplate for Alaska schools."

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