

Does Alaska have a Spending Problem? Benchmarking is the Answer.

By Representative Lora Reinbold, February 26, 2017

The Governor, some in the Legislature and even some prominent Alaskans don't believe Alaska has a spending problem. They say that Alaska has a revenue problem and argue that Alaska needs to implement more revenue options, i.e. taking your money to fuel big government. Their tired refrain is simply to argue, "you can't cut your way to prosperity." On the contrary, we all know that you can't spend your way to prosperity!

Missing from all of the budget discussions is a data driven conversation about what constitutes a reasonable or normal level of government expenditure. The private sector uses "benchmarking", a comparison to competitors in the same industry, to understand competitiveness and drive business performance. Businesses often conduct benchmarking of their operating costs to streamline operations.

The data needed for benchmarking Alaska government spending against other states is readily available, and published by the US Census Bureau (<https://www.census.gov/govs/state/>). The most recent data is for fiscal year 2014 (FY14). The data is enlightening, to say the least.

In 2014, Alaska's total expenditure (capital & operating cost, excluding Permanent Fund expenditures), was 2.3 times the national average (\$14,960 vs \$6,390 per capita) and Alaska has the highest per capita spending of any state in the nation. To put that in context, that's eight \$1000 Permanent Fund Dividends for each Alaskan above the national average, every year!

Granted, the State has made progress cutting the capital budget, which was 5.4 times the national average in FY14 (\$1,780 vs \$330 per capita). However, looking at the operating budget, the budget that funds daily operations of state government, the State of Alaska spends 2.4 times the national average (\$8,070 vs \$3,340 per capita) and again is number one in the nation. It's unlikely that this has changed much since FY14, simply because our total agency operating budgets have been reduced by less than 1% percent since FY14 (Source: <https://www.omb.alaska.gov>, Agency Operations, Enacted Budgets).

Some will certainly argue, that you can't make that comparison because Alaska is different. Alaska is bigger, Alaska is colder, Alaska is x, y and z. Well that certainly is true to some extent, but the data, nonetheless, shows a troubling trend of exceptionally high spending in the State of Alaska.

The census data also identifies spending by government function. Comparison of Per Capita spending for 5 of the larger government functions is shown in the accompanying chart. Nearly every function is multiples of the national average and at or near the top of the nation in rank for spending. For example the chart illustrates that Alaska spends 5.3 times the national average on administration, 1.7 times the national average on public welfare, and 2.0 times the national average on education.

We have operated in a mode of free money, big bank accounts, and unbridled spending for too many years. The result is big budgets that we can't afford.

The unfortunate circumstance is that many in state government either don't understand the problem, or don't have the fortitude, nor the leadership to address the problem. And others simply have a tax and spend mentality and insist that government knows best and can spend your money on what's important. For many it's simply easier to "go along, to get along", and pass the bill for big government to the taxpayers and the next generation.

I vehemently oppose this solution. We must cut our operating budget and strive to align with national norms in government spending before we asked the people to hand over their hard earned money. And it's time to have an honest conversation and some serious analysis about the state of our budget. We need some professional benchmarking and some honest discussion about where rational cuts in state government spending can be made.

It's time for the public to get involved, and tell government that, you get your house in order before you pass "revenue options", to tax the private sector and spend our savings.