

# MUST READ ALASKA

## An interview with Alaska's new budget director

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Donna Arduin is one of the nation's most successful veterans of state budget management and tax reform, and, as budget director, led the budgets of Michigan, under Gov. John Engler; New York, under Gov. George Pataki; Florida, under Gov. Jeb Bush; and California, under Gov. Arnold Schwarzenegger, for whom she was budget director during a fiscal crisis left by former Gov. Gray Davis.

She consulted for Illinois Gov. Bruce Rauner, Florida Sen. Marco Rubio, Florida Gov. Rick Scott and California gubernatorial candidate Meg Whitman.

Now, she's budget director for the State of Alaska, in the office of incoming Gov. Mike Dunleavy.

Arduin arrived in Juneau on Sunday and is setting up her household today, and getting familiar with her new home base.

In addition to her other high-profile political positions, she is a partner in the firm Arduin, Laffer and Moore.

Laffer, as in Arthur Laffer, the father of supply-side economics.

And Moore, as in writer and economic policy analyst Stephen Moore, who founded the Club for Growth.

Arduin has a reputation for bringing government spending under control through long-term policy planning and fiscally conservative budgeting; her governors have consistently received high marks on the libertarian-leaning Cato Institute's fiscal report cards during her tenure with their administrations.

Arduin will be located in Juneau, where the Budget office is headquartered. Her husband, who lives in Michigan, will join her from time to time. They met while she was working on Rick Scott's campaign for governor.

Arduin was staff for Schwarzenegger during a time when the state faced a \$15 billion deficit. Schwarzenegger was elected after Gov. Davis was recalled in 2003, and when Schwarzenegger came into office, he discovered the state had an ongoing budget deficit that was being addressed through budget gimmicks.

“They rolled money back and forth through these gimmicks and the state was going to run out of cash before the end of the fiscal year,” Arduin said. “It was an extreme situation, and even before the budgeting process took place, we had to make reductions, and then propose a budget that solved the gap without tax increases.”

Schwarzenegger had borrowed her from the staff of then-Gov. Jeb Bush in Florida to help in his transition, and as his director of the Department of Finance, she had a staff of more than 200 people.

“\$15 billion sounds like a lot, but it’s all relative to the size of the budget,” she said.

She learned about working with legislatures during her time in Florida, when she consulted for then-House Speaker Marco Rubio during his entire speakership.

For Gov. George Pataki of New York, she served as the deputy budget director.

What’s different about Alaska’s budget than all these other states that have bigger budgets?

“The revenue stream for most state budgets is tax revenue and in Alaska it’s primarily oil revenue. But every state has its unique set of challenges. California also had problems with significant volatility of revenues because its primary revenue is income tax — personal and corporate, and it was a progressive structure,” she said.

In Florida, and in other states, there were multiple trust funds that are dedicated. Florida had more than 700 dedicated trust funds, while in Michigan the only trust fund is for education.

As for undesignated general funds and designated general funds (UGF and DGF), these are structures that are familiar to her, although state budget offices sometimes refer to them by other names.

Whether the budget needs complete restructuring is too early to say, Arduin said. But there does need to be a match between revenues and expenditures.

“The governor-elect, like several governors I worked with, wants to take a new budgeting approach. Usually people talk about marginal reductions, but this budget requires looking at it from the bottom up. It may require significant program restructuring to bring about efficiencies and effectiveness,” she said.

Is she ready for the pushback from those who want to tax Alaskans? She’s been through it before.

“When I cut \$400 million in pay raises for California correctional officers, we considered getting me a bodyguard,” she told the Duke University alumni magazine. “And although she doesn’t seem concerned with how many friends she has, even senators who’ve lost their pet projects to Arduin’s unwavering fiscal conservatism eventually come to respect her. Arduin says she’s known ever since she took the meat cleaver to her first state budget that, in this job, you have to dig in for the long haul. Back in 1991, after Arduin and Patti Woodworth carved \$5 billion in programs out of the Michigan state budget, Governor John Engler’s approval rating fell to 13 percent. Arduin didn’t blink. They cut taxes, businesses crept back into Michigan, and, come election time, Engler breezed right into his second term,” the magazine wrote.